MARCH 4, 1955 20 CENTS

U.S. News & World Report

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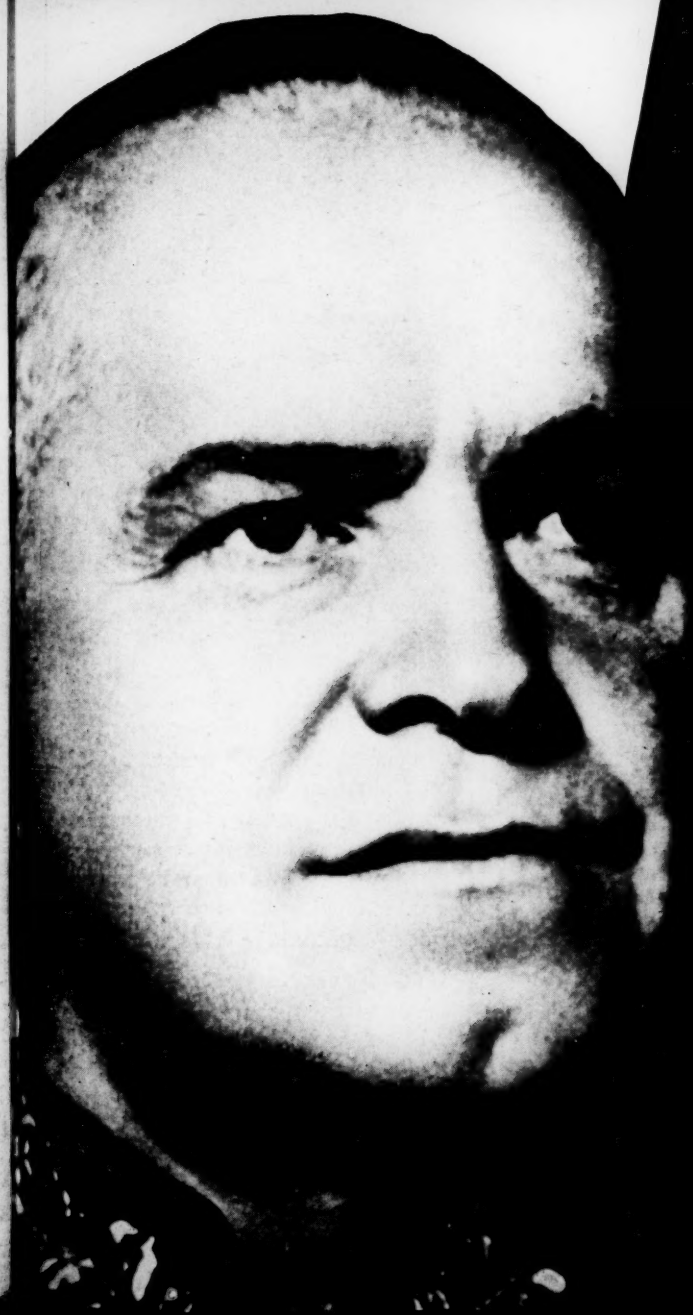

Zhukov

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Many more happy returns

Now edible fats and oils—as well as foods containing them—stay fresh and sweet longer. Ionol®-CP, a new antioxidant, multiplies their shelf life . . . gives them *more* "happy birthdays."

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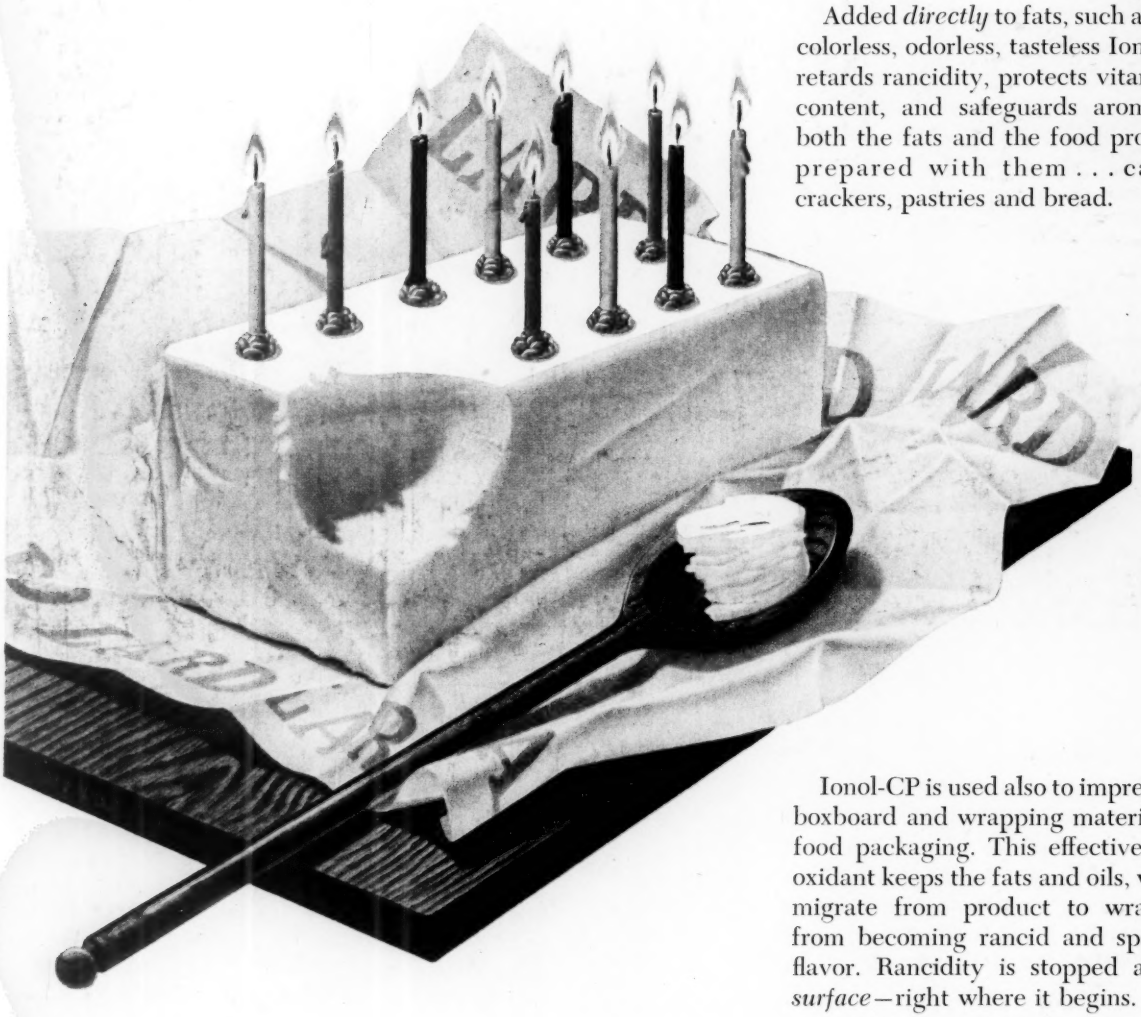

Ionol-CP is used also to impregnate boxboard and wrapping material for food packaging. This effective antioxidant keeps the fats and oils, which migrate from product to wrapper, from becoming rancid and spoiling flavor. Rancidity is stopped at the *surface*—right where it begins.

Ionol also extends the life of cosmetics, drugs, lubricants, plastics and rubber. It is an example of the many Shell Chemical advances which improve industrial and agricultural products.

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Chemical Partner of Industry and Agriculture

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"Vision is Indispensable to Progress"

Cross-country counter—showcase of free enterprise

Free choice in a free market—that's what "just looking" means to more than 20 million Americans shopping in the nation's department stores every weekday. The department store shapes its existence around *you,* the customer—you with your love of home and family, your desire to be well-dressed, your enthusiasm for travel, sports, social life.

Today's popular retail merchant, with an alert eye to competition, applies experience, judgment and imagination to the selection and development of more and more quality merchandise. He presents it in attractive displays and timely promotions. He watches trends in taste. He studies changing patterns in living. He continually improves the appearance, comfort and efficiency of his store. His goal—a growing share in a mounting $15 billion annual sales volume, won through your confidence in the integrity of his firm name.

At this moment, your favorite department stores are entering into exciting new areas of progress and service: simplified selling and intensive consumer research; prepackaging; specialized personnel training; functional suburban branches; engineering techniques applied to stock-taking and record-keeping.

With an unlimited variety of goods from many lands placed before them, thanks to the individual initiative of our nation's retailers, the American people enjoy a freedom of choice unmatched throughout the world.

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IN THIS ISSUE

★ Who Will Benefit Next From Tax Cuts?

Here is the inside story of a major clash behind the scenes over where to cut taxes next. You get the real reason for the Democrats' $20-for-everybody proposal, the facts and figures on just what it would mean. You get a line, too, on what Republicans have in mind for future tax cuts, as basic differences come into play. Starts on page 22.

★ Are the Reds Taking Over Indo-China?

For a realistic report on what is likely to happen next in Indo-China, see the exclusive interview with Gen. J. Lawton Collins, head of the U. S. mission there. Page 82.

★ A Fabulous Friendship in Texas

This is the amazing story of two friends—Texas millionaires Sid Richardson and Clint Murchison—whose joint ventures now involve businesses all over the country. Page 42.

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WORLD REPORT

U. S. WEEKLY
Three Titles Reg. U. S. Pat. Off.

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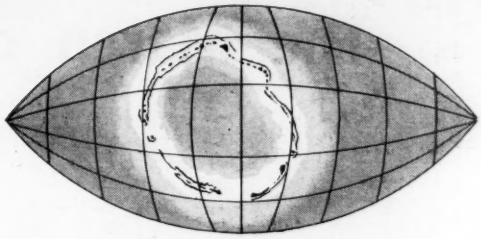

This barren atoll had to be

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INTO AN ATOMIC PROVING GROUND!

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113 days later, H&N had completed its comprehensive report covering use of terrain, construction and utility types, logistics, engineering criteria and cost estimates.

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Mr. Justice Holmes
United States Supreme Court
May 8, 1905

Justice Holmes was right

Obviously in a society built on risk-taking there's a place for the man who can afford to take the *big* risk—the man who has the money *and* the temperament for successful speculation.

Nobody can begrudge him his success, for where would we be here in America without his breed?

But don't let his success mislead you. Don't speculate unless you can meet the specifications. Maybe you've got the cash but lack the temperament. Maybe you've got the temperament but lack the cash. Either way can be fatal.

Of course, most of our customers aren't speculators. They're investors.

That means they're risk-takers too, but on a much more modest scale. They're people who buy a share of ownership in some established American business, because they expect that business to grow over the years and pay them a good return on their money as long as business prospects are good. Most times they've been right.

Yes, we think investing is a good thing. And speculation, too, in its place.

But don't forget what Justice Holmes had to say. We think he was right.

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The March of the News

TEAPOT TEMPEST

WASHINGTON'S HIGHEST OFFICIALDOM was involved in "The Case of the Misplaced Mimeographs."

House Speaker Sam Rayburn (Dem.), of Texas, was complaining that he didn't receive advance copies of presidential messages. White House Press Secretary James C. Hagerty said there must be a mix-up on Capitol Hill; advance copies of all messages had been sent to Democrats.

As the plot thickened, a clue turned up in the office of House Leader John W. McCormack (Dem.), of Massachusetts. An assistant in that office was quoted as saying that 250 copies of each presidential message had indeed been delivered there, and had been left on a table to be picked up. Few Democrats had done so.

There was a conference between the White House and the Speaker's office, and a new rule emerged: Henceforth, 251 copies of the messages will be sent to Capitol Hill—with one copy delivered directly to the Speaker.

DEFENSE OF FORMOSA

SECRETARY OF STATE John Foster Dulles, meeting at Bangkok, Thailand, with representatives of the Southeast Asia Treaty nations, came under attack from an unexpected quarter back home.

Representative James P. Richards (Dem.), of South Carolina, chairman of the House Foreign Affairs Committee, had spearheaded the drive to pass the congressional resolution on defense of Formosa. Now, he rose in the House to charge Mr. Dulles with "confusion" in his Formosa policy.

Mr. Richards said it had been his understanding that, "if we were going to defend Formosa and the Pescadores, we would assuredly defend Quemoy and Matsu." Instead, he said, "the Communist dictators . . . apparently are being invited to bargain with us for territory held by the Nationalist Government of China."

SMOG AS LIFESAVER

SMOG, THE UGLY COMBINATION of smoke and fog that hangs low over many industrial cities, may prove to be a lifesaver in case of atomic war, Army research has indicated.

Preliminary experiments at the nuclear proving ground in Nevada have shown that a blanket of artificial smoke provides protection from the searing heat of an atomic-bomb explosion.

So far, the Army has experimented with two types of artificial "smog." The most effective is a carbon smoke much like that which appears naturally over U. S. industrial cities.

GOOD-WILL MISSION

A COUPLE OF DIPLOMATIC TRIUMPHS were chalked up by Vice President Richard M. Nixon as he continued his good-will tour of Central America.

In Nicaragua, Mr. Nixon extracted a promise from President Anastasio Somoza that his country would try to stop the border disturbances and other difficulties with its neighbor, Costa Rica. General Somoza followed up his words by reopening for traffic the San Juan River, which had been closed for two weeks, greatly inconveniencing Costa Rica.

Moving on to Costa Rica, Mr. Nixon was told by President José Figueres that his country would go "more than halfway" to meet Nicaraguans in halting tension between the two nations.

ANYBODY LISTENING?

A NEW YORK CITY POLICE RAID on a Manhattan apartment unearthed one of the biggest illegal wire-tap operations yet seen—and set off repercussions in Albany and Washington. The ring had $2,500 worth of wire-tapping equipment and a closet filled with recordings. Among its victims: a model, an art dealer, several businessmen. The presumed motives: blackmail or business tips.

In Albany, State legislators prepared to tighten laws on wire tapping.

In the nation's capital, Senator Warren G. Magnuson (Dem.), of Washington, announced that the Senate Commerce Committee would conduct an extensive investigation if the Federal Communications Commission thinks new legislation is required.

MISSION COMPLETED

OFFICIALS OF CARE, the organization that sends private relief packages to 38 nations, took a look at the booming economic conditions in Western Europe and came to a decision. After April 8, no packages to designated individuals will be accepted for these nations: Austria, Belgium, France, Great Britain, Luxembourg, the Netherlands, Norway and West Germany, except Berlin.

CARE services to Asia, Latin America and Africa will be expanded.

Inviting customers to call collect brings parts sales of $4000 first month

Equipment Supply Co. delivers parts ordered by Long Distance.
The company serves West Texas, Southern New Mexico and Northern Mexico.

A case history of
Equipment Supply Co., Inc.
El Paso, Texas

To give customers quick, dependable parts delivery and service, the Equipment Supply Co. invites its United States customers to call collect by Long Distance.

In the first month of the Call Collect Plan, sales of $4000 in parts were attributed to calls *costing only $60.* And the plan is doing more than building parts sales.

"We know that *new tractor sales* have increased due to this promise of good service," the company reports. "We have gained many new customers as well as improved relations with our old customers."

You can start a similar plan today. The only equipment you need is the telephone on your desk. And there are many other ways you can make Long Distance increase sales. If you would like a telephone company representative to stop in and explain them, call your Bell Telephone Business Office.

LONG DISTANCE RATES ARE LOW

Here are some examples:

Wilmington to Lancaster, Pa.	**40¢**
Cleveland to Pittsburgh . .	**60¢**
Des Moines to Rock Island .	**70¢**
Cincinnati to Evansville, Ind.	**75¢**
El Paso to Albuquerque . .	**85¢**

These are the *daytime* Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

Call by Number. It's Twice as Fast

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

No U. S. Butter to Russia . . . Bets Are on Red China To Get Quemoy . . . U. N. Heading for New Trouble?

President Eisenhower may need to exert a good deal of White House pressure to keep Congress from cutting U. S. appropriations for support of the United Nations, and to block demands for changes in the U. N. Charter when that Charter comes up for possible revision next September.

★ ★ ★

William Knowland, California Senator and Republican Floor Leader in the Senate, is expressing a rather widespread feeling in Congress with his criticism of the use of the United Nations by Communists as a sounding board for propaganda attacks on the United States.

★ ★ ★

Ezra Benson, Secretary of Agriculture, is not going to be able to sell or barter surplus U. S. farm products to Communist nations. Herbert Brownell, Jr., Attorney General, has ruled that deals of this kind would be against the law, and there is no sign that Congress is interested in changing the law. Gifts of food would be legal.

★ ★ ★

John Foster Dulles, Secretary of State, disappointed nations in Asia by not being able to promise them a big new program of U. S. economic aid. George Humphrey, Secretary of the Treasury, is reported to have blocked the idea of a Marshall Plan for Asia at a time when U. S. Government finances are in none-too-good shape.

★ ★ ★

Arthur Burns, Chairman of the Council of Economic Advisers, regards himself as a private adviser to the President. He dislikes making public statements, and it takes official pressure to get him to make a speech or hold a press conference.

Chiang Kai-shek, leader of the Chinese Nationalists, is finding that Formosans make good soldiers who can be integrated with the Chinese. This discovery, in actual practice, opens a manpower pool of 800,000 and removes any questions about ability of the anti-Communist forces to replenish themselves over the years.

★ ★ ★

Betting odds are rather heavy that, in the next showdown with the Communists, the United States will let the Chinese Communists get possession of the islands of Quemoy and Matsu and also will agree before another year is out to admit the Communist Chinese to full membership in the United Nations.

★ ★ ★

Sam Rayburn, House Speaker, and President Eisenhower are tending to square off for a number of political fights, after an earlier appearance of interparty harmony. Reports have it that tales are being carried between the two by emissaries interested in developing an argument.

★ ★ ★

John McCormack, Massachusetts Representative and Democratic Floor Leader, is turning out to be the toughest of the top Democrats in his reaction to Republican plans. Mr. McCormack is a strong New Dealer who doubts the political wisdom of cooperating with the Republicans.

★ ★ ★

President Eisenhower looks to Clifford Roberts, New York investment banker and president of the Augusta National Golf Club, when he wants advice about his personal finances.

★ ★ ★

Richard Nixon, Vice President, is turning out to be the President's No. 1 adviser on matters of national politics, but not on the course to follow in dealing with the Democratic Congress. And, on military matters, Mr. Eisenhower trusts his own judgment when disputes arise.

★ ★ ★

Sir Winston Churchill and Sir Anthony Eden continue to be somewhat nervous about the possibility that President Eisenhower might open a direct line of communication with Marshal Georgi Zhukov, Ike's old friend who now is Soviet Defense Minister. The British belittle Zhukov and the position of the Red Army.

★ ★ ★

A high French official, commenting on delay in approving plans for a German Army, says this: "So long as France holds out against the German Army, U. S. will offer aid, advice and many good things, including a voice in all important decisions. But, once France gives approval, she no longer will be considered important and Germany then will get the favored treatment."

★ ★ ★

Konrad Adenauer, German Chancellor, did not respond to feelers that he should invite India's Jawaharlal Nehru to pay a state visit to Germany. Mr. Adenauer was careful not to become associated, even indirectly, with the idea of "neutralism" that Premier Nehru is peddling around the world.

★ ★ ★

A build-up is getting started to give India the place on the Security Council of the United Nations now occupied by Nationalist China. The purpose would be to give a neutral in the conflict between Communism and anti-Communism the position now held by an anti-Communist as a preliminary step to getting Communist China into the U. N.

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Wausau Story

Let Mr. Minard's story give you an idea. Cities have "personalities," which their businesses somehow absorb. We were born in Wausau—when this was lumber country. We've stayed here, because we feel that Wausau's ways and people have much to do with what our policyholders say—"Employers Mutuals are good people to do business with."

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Skips and Sweepers: *Left to right: Ferd Lonsdorf, Mr. Minard, Merle Parker, and Oscar Omholt*

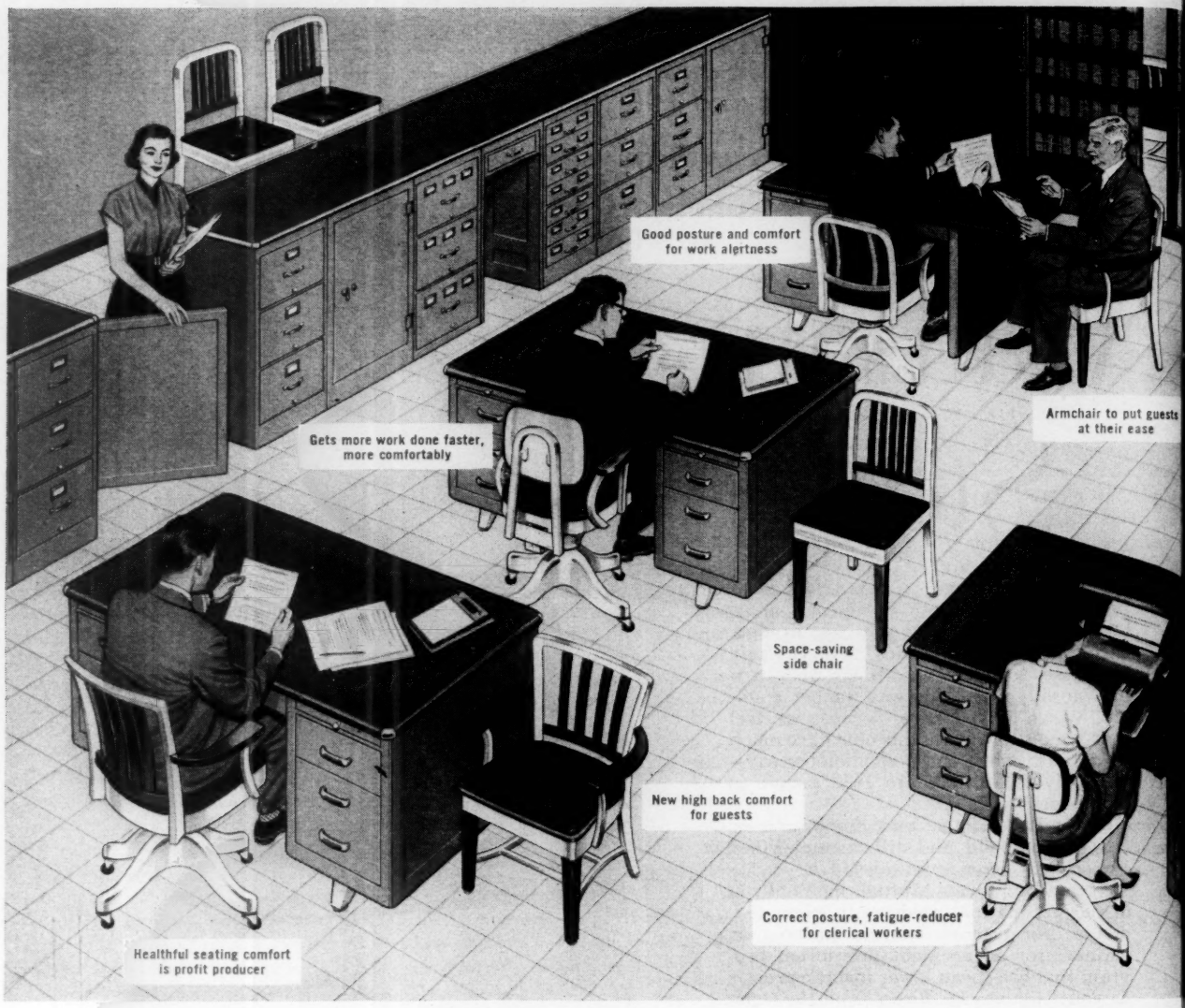
D. C. Minard, President of The Trane Company, visits Wausau

Mr. Minard of Trane, well known manufacturer of air conditioning and heating equipment, of La Crosse, Wis., says: "You see Wausau clearly from its famous Rib Mountain. And I don't mean entirely because of the view. The skiing crowds you watch out there—from 4 year olds, like Tommy Nemke, on up—are a kind of symbol of the healthy, enthusiastic spirit of Wausau itself.

◀ "Wausau's Curling Club, too, tells a story. Its attractive rink at County Fair Grounds is not tax-supported, but the sole triumph of its own 160 members who conceived it, planned it and paid for it themselves. Yes, the ice is open to Wausau's boys and girls free of charge.

"I visited Tom Eldredge's Camera Store and learned that Wausau is a ▶ picture-minded city, with more than its share of active camera clubs. Tom said, 'Wausau is a good city to do business in. One of the important shopping centers of Northern Wisconsin. I wouldn't be anywhere else.' I know how he feels."

Employers Mutuals *of* Wausau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IN BUSINESS today time is the critical factor. Never before in the history of American business has the handling of detail been so important a problem.

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But even more important, the efficient use of these tools does two things: It makes possible an orderly flow of information essential to management in meeting the changing problems of our times and frees more time of management to manage.

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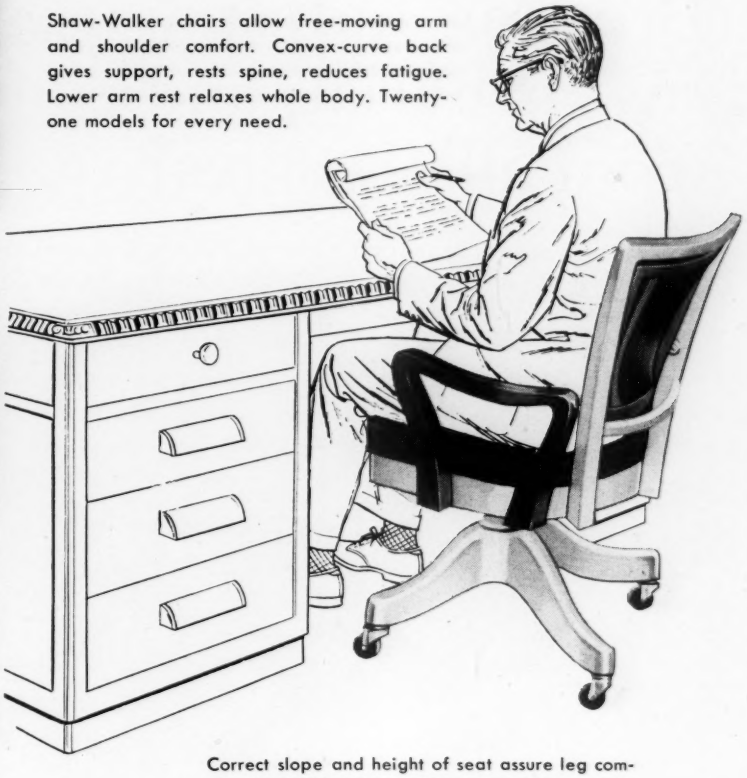

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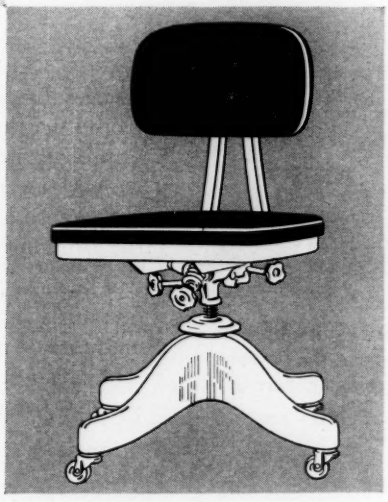

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The more than 300 brewers in this nation rely on railroad and automotive transportation, large amounts of metals, machinery, cartons, bottles and refrigeration equipment—materials and services from every state.

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Tomorrow®

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Boom in business just now may be a bit overdone, may be stirred by a rush in some industries to get ahead of wage rises, probable price rises.

Steel demand, booming, comes in this class. Buyers cannot lose and may gain by stocking up before any wage rise that may force a price rise. Price rise in steel may bring rises in steel products. So demand for these goes up.

Autos are somewhat the same. Auto-industry strike is openly threatened. Auto supplies are being built before any strike can occur. Auto output, as a result is running much above actual sales. Inventories are built up.

Pressures in these two vital industries tend to center output within the first half of the year. A letdown is almost certain to come later. Slowing in autos and steel after midyear is likely to bring at least a leveling off in general activity, even some moderate slowing.

Wage-rate trends will continue upward this year. Wage rise, probably, will be kept under 10 cents an hour. Higher wages will mean firm, or even slightly higher prices for many products of industry.

Wage-price spiral upward, however, is not probable.

Wage earners, too, will continue to be wage earners. Union pressure to get a guaranteed annual wage, to turn wage earners into salaried workers, will not get far. Actually, the annual-wage plan as offered calls for what would amount to a second layer of unemployment insurance.

It is very improbable that you'll need to worry about revived inflation this year, or in the foreseeable future. There are too many surpluses.

Labor surplus of around 3 million isn't likely to shrink much. Food surplus is bigger than ever. Surplus capacity for producing everything from shoes and men's suits to autos and locomotives remains quite large.

Apartments, houses are getting to be in surplus.

Prices cannot go up much without bringing out big new supplies of most kinds of goods. Living costs, as a result, are not likely to change much in the year ahead. Small decline is just as probable as a small rise.

The dollar's present purchasing power seems to be quite stable.

Inflation threat, however, is real in Great Britain, in Europe.

Buyers there are pressing hard for goods, are showing much the same kind of desire that Americans show for modern gadgets. Industry abroad, now running at capacity, can't meet demands of people with cash and credit.

Pressure on prices, as a consequence, is strong.

Americans traveling in Europe this summer are likely to find things quite

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tight, with not very many bargains. Their dollars, however, will be much sought after. Dollars are getting scarcer in some countries.

The problem in Europe is coming to be one of inflation control.

Calmer market for U.S. stocks is a favorable sign.

Stock boom, if running wild, would end in a bad bust.

Market rise, slower, more selective, more related to earnings and to dividends can have more stability, offer less chance of later trouble.

Trends, over all, still appear to be upward, but more cautiously so.

Tightened money in Britain, big rise in interest rates there, market upset that followed, give U.S. investors something to think about.

Taxes are not to be cut on your 1955 income. Tax cut on 1956 income seems very probable. Individual incomes, more than corporation incomes, will be favored in any cut when it does come. Lower incomes, too, are more likely to get the bulk of dollar savings than are incomes above $5,000 a year.

Your taxes, at best, will remain high for years to come if you do earn more than what might be classed as a minimum income.

What's happened to salaries of Congressmen points up the tax issue.

In 1939, a member of Congress earned $10,000, paid a tax of $372 if he was married, with no other source of income, and had $9,628 to spend.

In 1955, a Congressman is to get $22,500 in pay. His tax will total $4,362, leaving him $18,138. But today's $18,138 after taxes will buy only what $9,432 would buy back in 1939. After his raise, he's no better off.

The Chief Justice of U.S. shows up the situation even more sharply.

In 1939, the Chief Justice got $20,500, paid $1,589 in tax, had $18,911 after tax. With his new raise he'll get $35,500, pay $11,050 in tax and have $24,450 left. But the $24,450 will buy only what $12,714 would buy in 1939.

Taxes and living costs--particularly taxes--have caught the man with income above average. Lower income groups tend to be favored, higher income groups to be leveled down to, or not far above, the average.

Or, you can look at it another way, finding where tax money comes from.

Masses of people with incomes under $5,000 pay 8.5 billions in tax.

Limited group, earning $5,000 to $25,000, pays 11 billions in tax.

Very small group, earning $25,000 to $100,000 pays 5 billions in tax.

Big argument ahead is to be whether to give most tax relief to the great bulk of taxpayers reporting income under $5,000 or to give relief where the tax burden has risen most--above $5,000.

Tax cut of $20 per person, pushed by Democrats, favors lower incomes.

At $3,000 of income, a married man, two children, would get a 100 per cent cut in tax under the $20-per-person plan. At $4,000, the cut would be 33.3 per cent. At $5,000, it would be 19 per cent.

At $10,000, however, the cut would be only 5 per cent. At $50,000, it would be one half of 1 per cent. Cut is aimed at the lower incomes.

Bachelors would get almost no relief from a $20 cut. At $3,000, it would be under 5 per cent. At $5,000, it would be 2.4 per cent.

Tax relief has many angles important to individuals and business.

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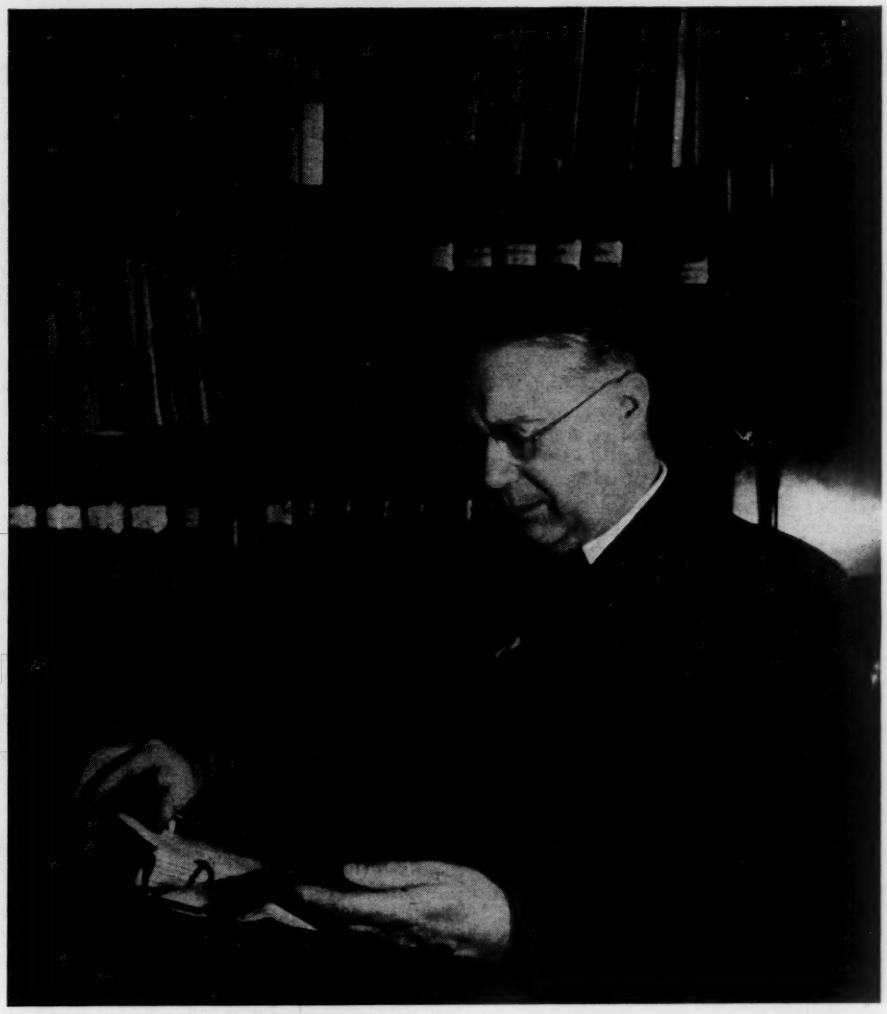
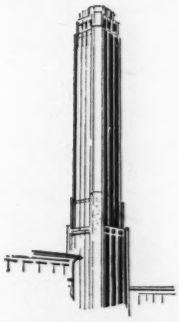


HE LIKES TAXES!

Well, maybe not his *own* taxes, but taxes in general. Taxes are his livelihood. Mr. A. G. Quaremba, Vice President in charge of our tax department, is on the Executive Committee of the National Tax Association, and is also a member of the Committee of Banking Institutions on Taxation. In a sense he is a tax man's tax man, for his services strictly as a tax specialist are not directly available to the public.

However, many of our clients have come to realize that Mr. Quaremba and his department can be mighty helpful. For one of his responsibilities is to work closely with our Investment Advisory Service Officers. *This* service is most decidedly available to those with funds of $75,000 or more. It is a complete, continuing investment management service, in which you can retain final authority.

Before it slips your mind, why not write or call for a free copy of **"HOW TO GET THE MOST OUT OF YOUR INVESTMENTS."** It tells the interesting story of our Investment Advisory Service.



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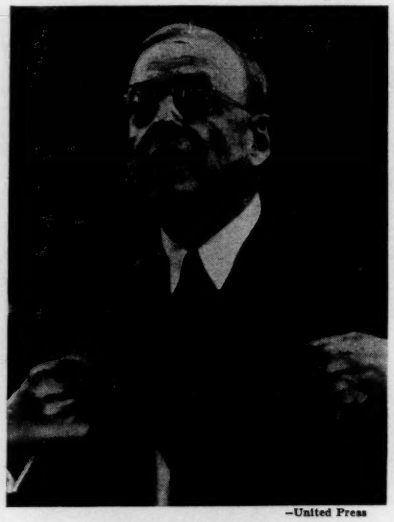
PEOPLE ★ ★ ★

OF THE WEEK

› JOHN FOSTER DULLES, much-traveled U. S. Secretary of State, is due back this week from another of his journeys halfway around the world with on-the-spot observations of troubles the U. S. faces in Asia. His trip to Bangkok, Thailand, for the first real planning session of the Southeast Asia Treaty Organization, spotlighted an area that is to get increasing U. S. attention.

In Bangkok, Mr. Dulles was grappling with the vast differences between defending Europe and defending Asia. Europe is a compact, connected area compared with the vast perimeter of Asia, where many disconnected spots invite Communist divide-and-rule attacks. Geography, therefore, was a major factor in Mr. Dulles's advocacy of cohesive, mobile military force in Asia.

Another major problem is Communist subversion, in the guise of so-called "liberation" movements aimed separately at Laos, Thailand, Burma and Pakistan. What Mr. Dulles is bringing back, for the U. S. to get used to, is that defense of Asia is just beginning, that the U. S. will be expected to provide more money, men and effort in the future.



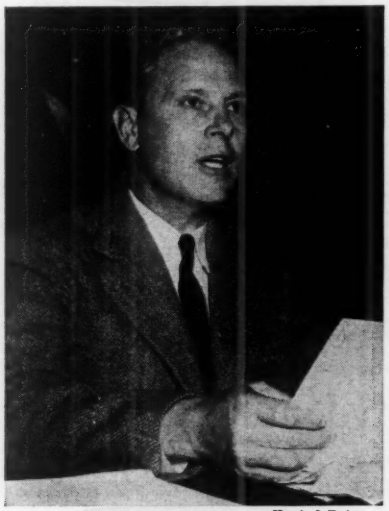
—United Press

SECRETARY DULLES
. . . Asia to defend

› JOHN W. McCORMACK is exercising his considerable power as Democratic Majority Leader in the House of Representatives to turn President Eisenhower's legislative program to the political advantage of the Democrats. First big move in that direction was the attempt to outmaneuver the President on tax policy by tacking a $20 cut in income taxes to the Administration's bill to extend high corporate tax rates. Mr. McCormack was one of the principal Democrats behind that maneuver.

The Majority leader, who works closely with Speaker Sam Rayburn and with chairmen of major committees, is pushing plans to give a Democratic "flavor" to many more pieces of legislation, to make a party record in Congress that will appeal to masses of voters. The 1956 election looms bigger and bigger in its effect on lawmaking.

First elected in 1927, the Massachusetts legislator has been in Congress ever since, has been Floor Leader in all Democratic-controlled sessions since 1940, made a reputation as an ardent supporter of Presidents Roosevelt and Truman.



—Harris & Ewing

SENATOR GORE
. . . roads to build

› SENATOR ALBERT GORE, a Tennessee Democrat, turns out to be the key man in shaping ways and means to rebuild the U. S. highway system. He heads a Senate subcommittee that is to hold hearings, decide on how many miles of new roads should be constructed —and how to pay for them.

Paying for the roads is becoming the major point at issue in the program. Powerful Democrats oppose Administration ideas to issue bonds through a special Federal Highway Corporation. Senator Gore favors direct appropriations from the Treasury for roads.

Highway building is one of the things to which the Democratic majority in Congress hopes to attach its party label, so that it can be boasted of in the 1956 election campaign. Senator Gore got the job of steering it after proving himself a tactician in developing Democratic opposition to the Dixon-Yates power plan. Mr. Gore first came to Congress in 1937, was quickly tabbed as a young man to watch. He got to the Senate, after serving 16 years in the House, by upsetting Senator Kenneth D. McKellar in the 1952 primary.

› EDGAR FAURE is taking over in France, trying to establish the 21st Government of the country since the war. The new man was Premier early in 1952 for a period of 40 days. His new Government could have a similarly short life.

The right-of-center Cabinet that Mr. Faure assembled contains both Gaullists and Popular Republicans—groups that often are antagonistic to each other —and each holds enough votes to destroy Mr. Faure's majority, throw him out of office. In addition, the new Premier's own Radical Socialist party is split into factions, does not guarantee prolonged, solid support.

Although educated as a lawyer, Mr. Faure has made his mark in Govern-

(Continued on page 16)

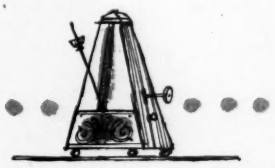
—United Press

PREMIER FAURE
. . . a word for coexistence

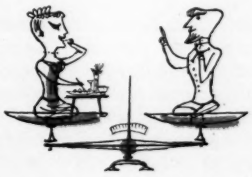
A "primer" of GOOD NUTRITION

B is for breakfast

A well-balanced breakfast is needed every day, even if one is overweight. After going without food for 12 hours or longer, a hearty breakfast is required to renew energy and sustain efficiency. Have a breakfast of foods that provide both proteins and calories.

R  is for regular foods

Vital body processes, such as the regular beating of the heart and proper functioning of the thyroid gland, depend upon foods that supply essential vitamins and minerals. A proper diet provides all the vitamins and minerals necessary to keep body organs working properly.

W  is for weight control

It is best always to eat just enough of the right foods to keep your weight at the level which the doctor recommends. If one tends to put on excess pounds, it is wise to cut down on weight-producing foods.

V is for variety

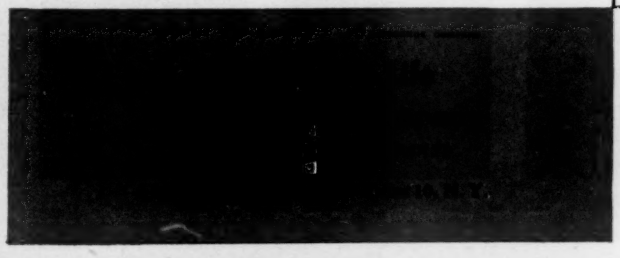
Variety is the most important factor in good nutrition. No single food has any "magic powers" healthwise. So, for good nutrition and good health, select daily meals from a wide variety of vegetables, fruits, milk, meats and cereals. Good nutrition also helps control weight.

E is for energy foods

Energy for work, play and all other activities comes from carbohydrates. To make the best use of these foods, proteins, vitamins and minerals are also necessary. Energy foods are especially needed for growing, active children and adults who do heavy labor.

P is for protective foods

The most important of these are the proteins. High-quality proteins come from milk, cheeses, meats, fish, fowl and eggs and supply many essential substances for the upkeep and repair of bones, blood, skin and other parts of the body.



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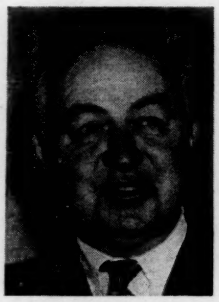
ment mainly in finance posts. He has turned up repeatedly in Cabinet jobs since 1949, was Finance Minister and later Foreign Minister in the recent Mendès-France Government. He makes few speeches, but in one recent declaration he said he favored coexistence and negotiations with the Soviet Union.

› **PASSPORT CHIEF** of the State Department—the person who says "yes" or "no" to Americans asking permission to travel in foreign countries—is to be replaced before the summer tourist season begins. **Mrs. Ruth Bielaski Shipley,** who has ruled the passport office with a firm hand since 1928, is retiring April 30, at age 70.

The successor to Mrs. Shipley will step into a tough job. In 27 years, Mrs. Shipley virtually has had to remake the passport office. Business has increased sharply, now runs at about 300,000 passports a year. Mrs. Shipley has formulated rules for issuing passports, and has accumulated a formidable file from investigative agencies on people whose travel abroad she might want to curtail. Although one Senator once accused her of exercising "tyrannical and capricious" power to deny passports, most members of Congress are her allies and supporters. Communist affiliation now is the main reason for denying passports; the ordinary citizen has little trouble with Mrs. Shipley.

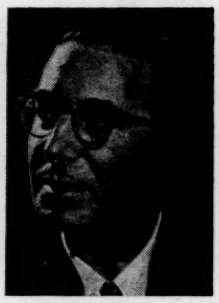
› **WINTHROP W. ALDRICH,** the U. S. Ambassador to Britain, and Queen Elizabeth II, sovereign of the British Commonwealth, got together at a Washington's Birthday party in London that was a little more than the mere dinner-dance it was said to be. Actually, the occasion was a well-planned diplomatic gesture. The idea is to remind Britons of friendly ties between the two countries, try to damp down British temper that has flared in press and politics over U.S. support of Chiang Kai-shek in Formosa.

There were a number of "firsts" to mark the occasion and impress it upon British minds. It was the first time Queen Elizabeth has gone to a U. S. Embassy party since she became Queen three years ago. It was the first time the Ambassador has entertained in the new Embassy residence, the palatial Winfield House built in Regent's Park by heiress Barbara Hutton and deeded to the U. S. several years ago. And, so far as can be determined, it is the first time a British sovereign has celebrated Washington's Birthday. Result, in diplomacy, is a subtle good feeling.



KILGORE

EASTLAND



KEFAUVER

SENATORS WHO WILL RUN INVESTIGATIONS

ONE MAJOR REWARD for winning political control of Congress is control of investigations by committees, and, in this Congress, Democratic Senate committee chairmen are shaping up inquiries.

To the average American, the most spectacular investigation, for which $154,000 is being asked, may be an inquiry into juvenile delinquency by a subcommittee under **Senator Estes Kefauver,** of Tennessee. Technique to be applied is similar to that of the 1950 Kefauver crime investigation that made the Senator a well-known figure who then sought the Presidency. This time Mr. Kefauver intends to explore such subjects as narcotics traffic, pornography, and white slavery among minors. Hearings will be held in major cities, with televising permitted.

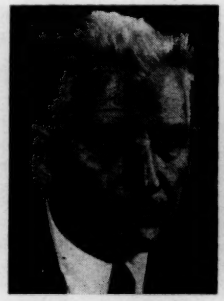
Senator Harley M. Kilgore, of West Virginia, is asking $250,000 to dig into enforcement of anti-trust laws. Senator William Langer (Rep.), of North Dakota, began antimonopoly hearings last year, was denied funds to extend them.

A major continuing investigation—into Communism and internal security—is to fall to **Senator James O. Eastland,** of Mississippi.

Senator John L. McClellan, of Arkansas, was voted $190,000 to run the Permanent Subcommittee on Investigations, will sift operations of Government departments.

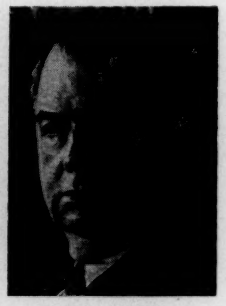
THE CASE of Wolf Ladejinsky and the Democratic contention that the Administration made a political "numbers game" out of security-risk firings are to be investigated, at a cost of $125,000, by **Senator Olin D. Johnston,** of South Carolina. Conflict with the Administration seems likely.

Welfare and pension funds of labor unions are to be looked into, at a cost of $190,000, by **Senator Paul H. Douglas,** of Illinois. Preliminary investigations by Senator Irving Ives (Rep.), of New York, were made last year.



DOUGLAS

McCLELLAN



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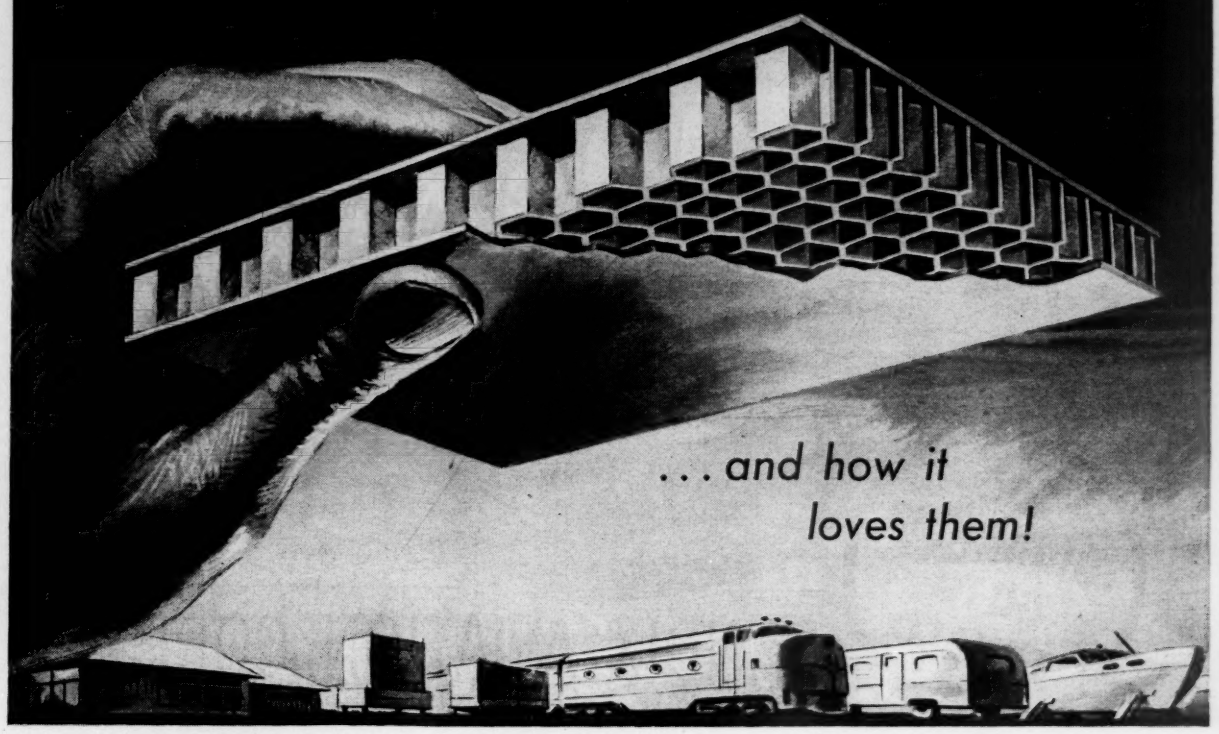

HERE'S a delicacy that's really whetting the appetites of development engineers — a bonded sandwich called *Bondolite*—new high-strength, lightweight structural material that can be fabricated to any size or shape!

Built by Goodyear Aircraft Corporation, *Bondolite*—one of the strongest materials in relation to its weight now being manufactured — consists of a lightweight core material bonded by a special adhesive between thin exterior face materials.

Any one of a wide variety of core materials can be utilized — balsa or other woods, foamed or cellular materials or honeycombed metal, glass, paper or fabric — depending upon the specific needs of the user.

The choice of face materials is equally broad. Impregnated paper can be used for non-structural panels such as flooring, partitions, table tops and baggage racks. Resin-impregnated glass cloth is ideal for applications requiring dielectric, non-inflammable and low-moisture absorption characteristics. Aluminum, magnesium, stainless steel or titanium can be utilized for rugged structural applications such as trailers, scaffolds, furniture, freezers, boats, trains and buildings.

Originally developed for use in aircraft construction, where structural strength is of paramount importance and weight is precious, *Bondolite* possesses unique characteristics destined to improve many products.

Maybe *Bondolite* is just *your* sandwich. To find out write for the full story! Address:
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Dept. 931CC, Akron 15, Ohio

Bondolite—T. M. Goodyear Aircraft Corporation, Akron 15, Ohio

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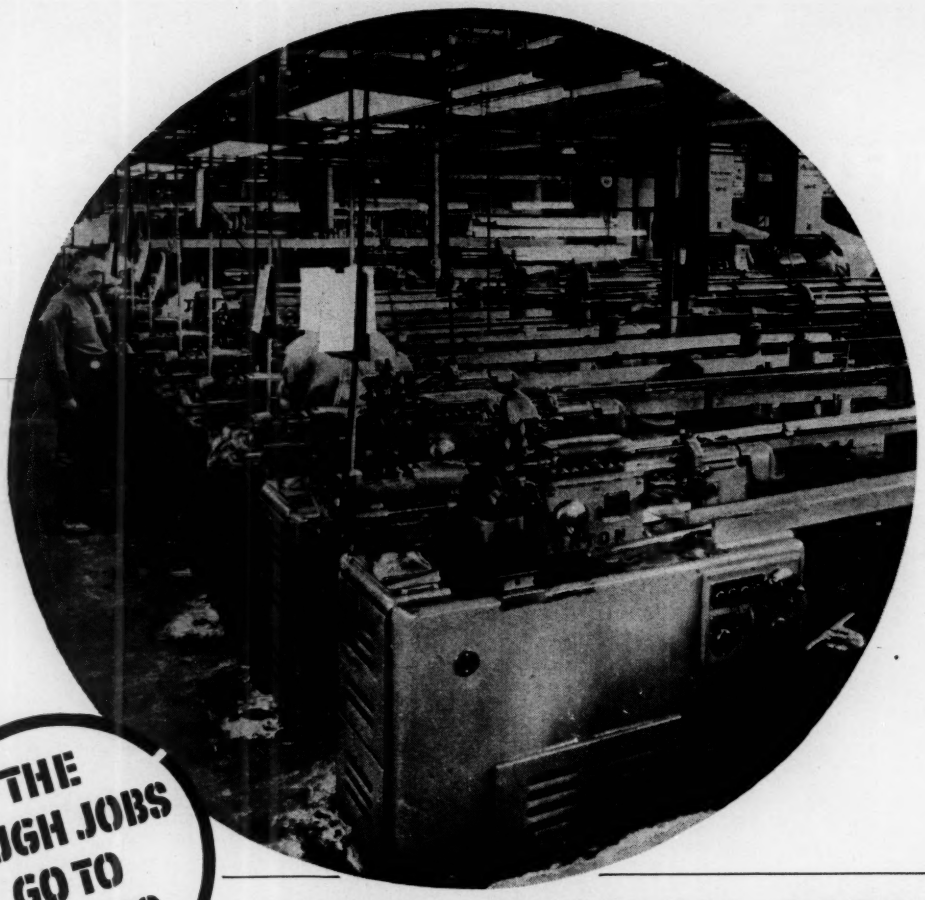

THE TOUGH JOBS GO TO TEXACO

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(SCINTILLA DIVISION), Sidney, New York, has been using Texaco Cleartex Oil for 5 years on the battery of automatic machines in the picture. Bendix has kept close track of the results. They found — a few short months after Texaco Cleartex Oil went into use — that they were doubling their drill life . . . eliminating copper staining . . . maintaining uniform hole size . . . and reducing their lubrication costs. Today — 5 years later — Bendix Supervisor Ray Beames reports: "These benefits are still continuing . . . In addition, there has been *no maintenance necessary* on the lubricating sides of the machines."

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BUSINESS HEADED FOR NEW HIGH

Good times, taking hold now, will last for months, probably will make 1955 a record year.

You see the pattern already. Business is showing more zip than it has for a long time.

People are in a mood to spend again. Retail trade, as a result, is way up. That's the real spark of the business upturn.

It's the same story in nearly everything. Auto companies are breaking all records. Steel is booming. Furniture, appliances, new homes are in strong demand.

Jobs are a bit easier to find. Incomes keep going up. It's turning out to be a faster recovery than almost anybody expected.

Many business records are going to be broken during 1955. Indications now are strong that this will be the best business year in history.

People are earning more than ever before. Out of these earnings they are spending more than they ever spent. This means that the volume of trade is at all-time record levels. The result is that total activity, which goes by the technical name of "gross product," is high and rising. It is going to set a record for the year, barring some wholly unforeseeable developments.

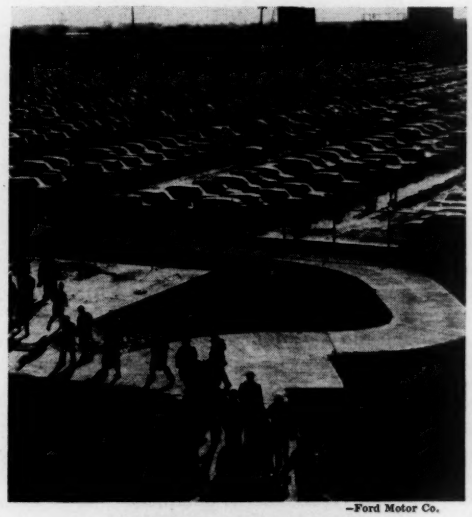
Industry, however, is unlikely to break production records. Total output is going to be substantially higher than in the recession year 1954, but probably not quite as much as in the boom year 1953. Nevertheless, many industries are likely to reach new highs in production. Others, particularly those that make war materials, are not expected to reach past peaks.

Some people question the recovery in business. They see farm income still lagging and they notice a rather sticky situation in unemployment. They present the less optimistic side of the picture.

You can look at the charts that accompany this article, however, and get a picture of what already has happened. Here you see that the trend is up all along the line, compared with the low points of last year. In some fields the rise has been spectacular.

The strongest force behind the upturn in activity is the rising tide of personal spending. People spent a record amount last year when they paid out 234 billion dollars for goods and services. Now they are spending even more. The rate of spending just now is at an all-time high of 239.5 billion dollars a year. People, moreover, are scattering their dollars widely, buying everything from automobiles to handkerchiefs.

New-car sales in January, for example, made a record for the month at 512,000. Auto companies have responded to this demand by producing cars in greater volume than ever before. Stocks of new cars, however, have been building up rapidly on dealers' floors and it is doubtful that the present rate of output will continue very long. Auto production now is running 8 million to 9 million passenger cars a year, and not even the most optimistic members of the industry expect to sell that number.



—Ford Motor Co.

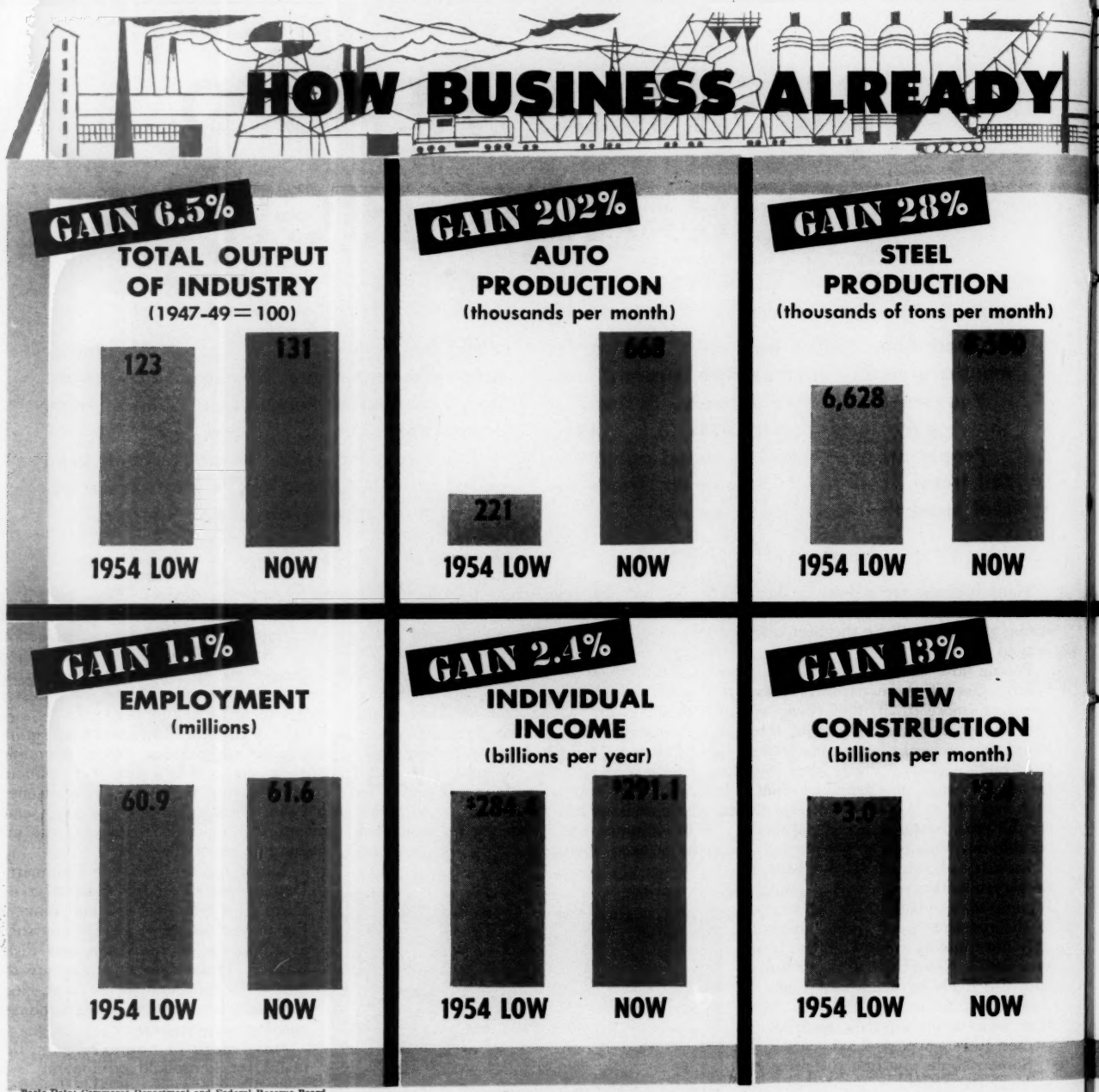
AMERICAN WORKERS
. . . earning more; spending more

Sales of furniture and household equipment also are running strong. Spending on these goods is at a rate of 13 billions a year, topping the highest rate reached in 1953. These sales, coupled with some inventory rebuilding by dealers, also are pushing up production.

Latest reports from the Commerce Department show that output is up sharply for television sets and some of the newer pieces of equipment such as automatic clothes driers and dishwashers. Production gains also are reported for refrigerators, freezers, electric and gas ranges, washing machines and vacuum cleaners.

New mark in homes? Rising demand for household equipment is a reflection, in part, of the building boom that still is going on. Housing starts last year, at 1.2 million, were only moderately below the 1950 record of 1.4 million. Now new housing units are being started at a rate, seasonally adjusted, that tops the 1950 figure. The present level of building activity indicates a continued high demand for all the things that are needed for new homes.

The strong demand for automobiles, household equipment and building materials is largely responsible for the pickup in the steel industry. Steel out-



Basic Data: Commerce Department and Federal Reserve Board

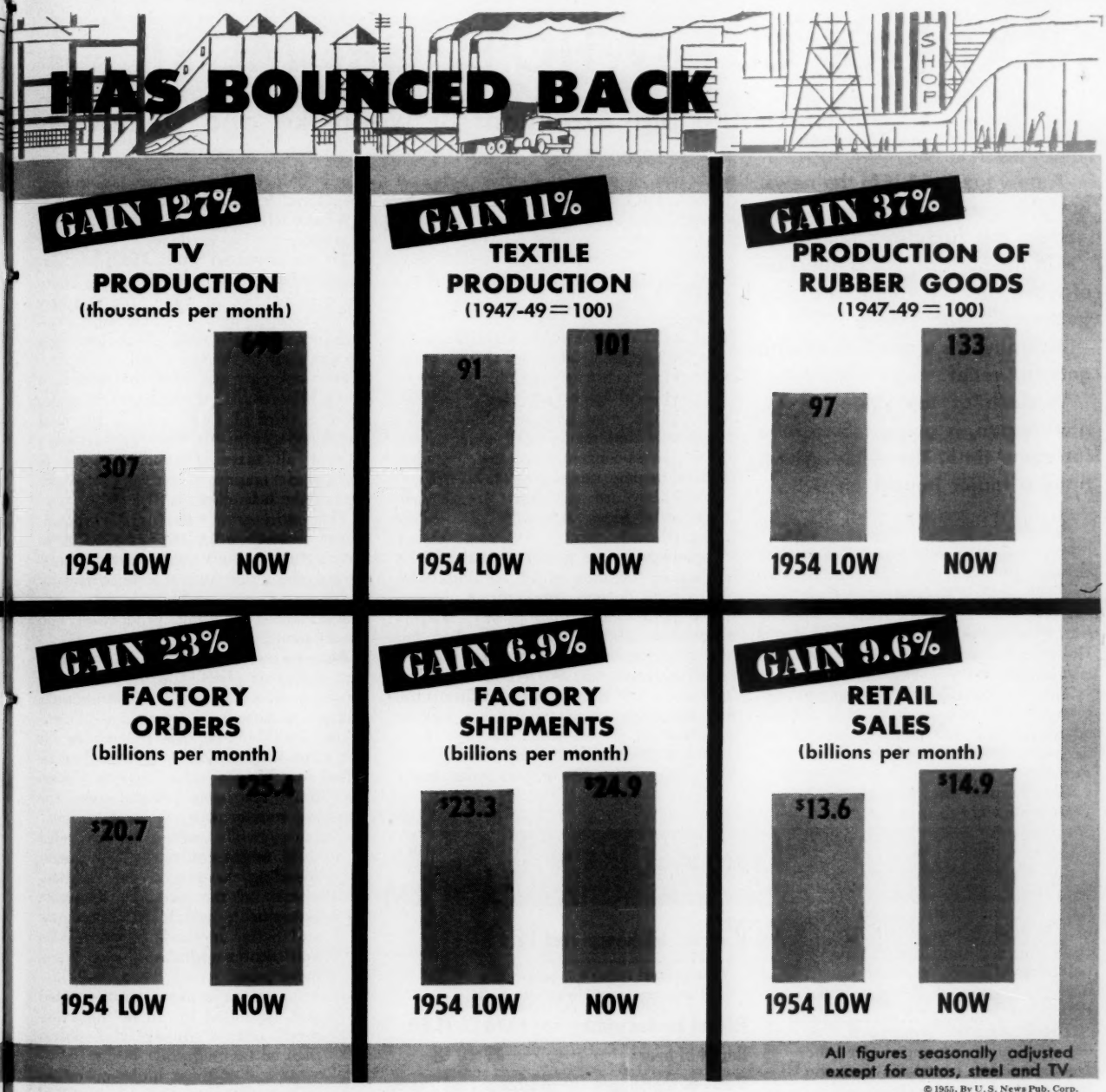
put at 8.5 million ingot tons a month is the highest since October, 1953, and 28 per cent above the low reached last July. Steel mills now are operating at more than 90 per cent of capacity, and that rate is expected to be maintained at least through March.

In steel, as in autos, it is doubtful that the present pace will be kept up through the year. Sources in the steel industry believe that customers now are trying to build inventories as a hedge against a future price increase or a possible strike. If this analysis is correct, steel orders may slacken during the second half of the year. Output certainly will decline as auto production dips, since the auto industry accounts for between 20 and 25 per cent of total steel production.

It's not only in the metal-using industries, however, that recovery is marked. An uptrend also is evident in industries that make soft goods, such as clothing, food, rubber products.

Spending for shoes and clothing, for example, has been declining from 1952 through September, 1954. The Christmas season brought an increase in sales, and that rise is continuing this year. Currently, sales of food and clothing are estimated to be running about 3 per cent ahead of the closing months of last year.

This increase, too, is reflected in production. Textile mills are turning out 11 per cent more goods than at last year's low point. Shoe factories are producing 12 per cent more footwear than a year ago. The rubber industry has chalked up a 37 per cent gain, and there are increases in the output of leather products, paper and chemicals. Oil pro-



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duction has improved to the point where Texas output for March is scheduled at almost 3.3 million barrels a day, a volume topped only in November, 1952.

Jobs, incomes rise. Improvement in business activity is bringing increases in employment and individual incomes which, in turn, promise to keep people's spending high.

Actually, people's income, in the aggregate, held up through the 1954 setback in business. Declines in farm income and in wages and salaries, stemming from higher unemployment, were offset by unemployment insurance and higher payments in dividends, rents and interest. Also, the tax cuts that took effect in 1954 acted to increase the amount of money people had to spend over the amount they had in 1953.

Now employment has inched up from 60.9 million to 61.6 million, and total income has gone from a low rate of 284.4 billion dollars a year to a rate of 291.1 billion a year. It is generally expected that most factory workers will get another increase in wages this year and that employment will improve in the months ahead. That means a further increase in individual incomes.

Altogether, the outlook for business points to continuing improvement, at least through June. The usual slackening is to be expected in the summer months, but activity is likely to step up again later in the year. For the year as a whole, 1955 promises to be unmatched.

Businesses are restocking to meet 1955's big demand. For effects of their orders, see page 94.

NEXT TAX CUT—WHO'LL GET MOST

That's the Big Argument Between Ike and Democrats

A new tax fight is in the news. But the real tax battle is not getting the headlines.

On the surface, it's a question of when cuts are voted, and who gets credit with voters.

Actually, it's a question of who gets tax relief.

A clash of tax philosophies, now begun, is going to continue for some time. The decision will have a major impact on U. S.

The basic issue of who should pay taxes, and how much, now is clearly drawn between the Administration and Democrats in control of Congress.

Democrats forced the issue when they pushed a $20-a-head tax cut through the House. Final action on this cut is not to end the basic controversy.

The fact is that the Democrats' approach is officially recognized as a head-on assault on the President's plans for tax relief designed to stimulate industry growth.

Bluntly put, the issue is this: Democrats want to prime consumer spending. Mr. Eisenhower wants to prime investing.

To understand this issue, and how it is going to affect this country's economic future, you need to take a close look at the Democrats' approach and the philosophy behind it. Charts on these pages bring out some of the significant details.

The Democrats' approach. Under the plan advanced by the Democrats, the biggest—almost the only—tax cuts, relatively speaking, go to the lowest-income families, who pays the lowest taxes.

A worker with a wife and two children and $3,000 wages a year, for example, now pays a tax of $60. That's $2 out of each $100 he earns. Democrats' idea is to give this taxpayer a 100 per cent cut in taxes. He would be relieved of all responsibility for supporting the U. S. Government through income taxes.

At $4,000, roughly the average of factory earnings, a married man with two children now pays a tax of $240. That's $6 out of each $100 he earns. Democrats want to cut this by a third—or down to $4 for each $100 earned.

At $10,000, roughly the area of the "young executive" group, a married man with two children now pays $1,372. That is $13.72 for each $100 he earns. The Democrats want to cut this down to $12.92 for each $100 earned.

This range—up to $10,000 of income—covers the great bulk of taxpayers. It's the group that makes up the bulk, too, of the mass-consumer market. Families in this income range pay relatively low taxes. They are scheduled, under the Democrats' ideas, for most of the tax relief.

Specifically, the group makes up 66.8 million of the total of 71.3 million who file federal income tax returns. Democrats' plan would give these taxpayers more than 1.9 billions of tax relief, out out of a total of just under 2.1 billions.

What this means to Democratic policy makers is that families who make up the big consumer market would get a boost in spending power.

What it means to the President is something else: Taxpayers who carry barely half of the income tax burden are offered 93 per cent of the relief.

What's left goes to the relatively few who carry the big tax load.

To see how that works out, take taxpayers who earn $25,000 or more. There are only 841,000 of these. Yet they pay 30 per cent of the total tax. Now, Democrats want to give this group less than 1.5 per cent of the tax relief.

Or look at the $50,000-and-more group. There are only 225,000 of these, about a third of 1 per cent of the total taxpaying group. Yet they pay nearly a fifth of all taxes. Democrats want to grant these taxpayers one third of 1 per cent of the tax relief.

This entire group—individuals with incomes upward of $15,000 or $20,000—is the one that, in the President's view, must supply the cash and the initiative for investment in new and bigger enterprises needed for expanding production and employment.

Eisenhower's approach. Now take a look at the tax plans—and the tax philosophy—to which the Administration is firmly committed.

The President set the pattern in his first state-of-the-union message, when he called for changes in tax laws to "lessen their restrictive effect upon the vigorous growth of our economy." Later, while calling for tax relief that might encourage consumer spending, he placed the real emphasis on the need to "promote investment, which provides new and better methods of production and creates additional payrolls and more jobs."

Those ideas have been repeated and expanded by all of the President's official advisers and spokesmen on tax matters.

As one of these high spokesmen puts it: "There must be a radical revision of our tax system to better provide the incentives for the creation of more jobs. . . . The present tax system threatens to stifle initiative, expansion and ultimately jobs. A better-balanced system is required."

There you have the real root of the controversy that is to go on, both this year and next, over the question of how to reduce taxes. The Administration, all along, has promised tax relief calculated to stimulate investing. Now, before

THIS IS IKE'S REAL TAX PROBLEM

If no tax bill is approved by April 1—

Federal taxes on the following will drop automatically—

Fifth of bonded whisky	$2.10 TO $1.80
Barrel of beer	$9 TO $8
Quart of champagne	85 cents TO 75 cents
Package of cigarettes	8 cents TO 7 cents
Gallon of gasoline	2 cents TO 1.5 cents
Gallon of diesel oil	2 cents TO 1.5 cents
Medium-priced car	$220 TO $154
Motorcycle	$110 TO $77
Small truck	$200 TO $125

And on corporation incomes of—

$25,000 and less	30% TO 25%
More than $25,000	52% TO 47%

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WHICH GROUPS SAVE MOST UNDER DEMOCRATS' TAX PLAN

People in these income groups	Would save these total amounts	And end up paying these total amounts
$3,000 and under	$486,000,000	$2,078,000,000
$3,000 to $5,000	$888,000,000	$5,011,000,000
$5,000 to $10,000	$564,000,000	$6,355,000,000
$10,000 to $25,000	$125,000,000	$4,713,000,000
$25,000 to $50,000	$22,000,000	$3,064,000,000
$50,000 to $100,000	$6,000,000	$2,445,000,000
Over $100,000	$2,000,000	$3,120,000,000

Source: Joint Committee on Internal Revenue Taxation

it can be done, Democrats have come out for an approach that gives only token relief to those whose savings are the main support of investment.

What's needed. You will not find the Administration's tax plan spelled out in any one place. It has to be pieced together from talks by top tax officials.

Tax rates themselves offer an illustration. Mr. Eisenhower's top tax advisers are known to believe that the high-bracket rates leave the individual with too little after-tax income to make higher earnings worth while. This is one of the things meant by taxes that "stifle initiative."

Take, just for example, the $50,000-a-year executive who sees a chance to start a new venture. He might increase his earnings, or he might lose on the deal. If he earns an extra $5,000, Government will take nearly three fifths of it, leaving him just a little more than $2,000.

Or take the taxpayer with $100,000 of income. If he earns an extra $10,000, Government takes more than two thirds of it.

At $250,000 of income, the taxpayer who sees a chance to make $25,000 on a new venture will find the tax collector waiting to take more than $20,000 of his $25,000.

Steeply graduated income tax rates, though, are only one of the Administration's targets.

Capital gains. The tax on long-term capital gains—returns on assets held for some time and sold for more than they cost—is another matter in which the Administration is pledged to provide relief.

Most countries levy no tax on capital gains, the prevailing theory being that such gains are not really "income." Since those gains are considered a return of capital, a capital-gains tax is rather widely regarded as an example of confiscation of capital.

In U. S., however, long-term capital gains are taxed at rates running up to 25 per cent. What the Administration thinks about this is clearly indicated by one of Mr. Eisenhower's top tax advisers: "Bona fide long-term capital gains are clearly quite different than ordinary income; they represent a taxpaying capacity but they do not constitute income in any ordinary sense."

Relief from the capital-gains tax, it is said officially, is needed "to encourage risky investment and to permit fluidity in investment markets."

Dividends. Double taxation of corporation profits—once as income to the corporation and again as income to the stockholder receiving dividends—is still another Administration target.

Stockholders last year got the first installment of their relief from double taxation. They got to count as tax-free the first $50 of dividend income they received in the year. And they got to subtract from their total tax bill an amount equal to 4 per cent of the remainder of their dividends.

That relief, actually, was only about a fourth of the relief proposed by the President for stockholders in his tax message a year ago. And even the larger relief urged by Mr. Eisenhower was labeled by him as "a start . . . in the removal of this double taxation."

Two philosophies. These are only examples of the tax program to which the President is clearly committed. It's this program that must be kept in mind in order to understand just why the Democrats raised such a storm with their $20-a-head reduction plan.

The real issue is not over the question of whether taxes should be reduced on 1956 income. Taxpayers can be sure that, barring a major international crisis, taxes will be lower in 1956.

More important is the question of which philosophy will guide tax relief in the years just ahead. The answer to that question is to have a profound effect on the U. S. economy and on taxpayers individually.

A $20 Tax Cut Works Out This Way

(married couple with two children)

INCOME	TAX ON 1955 INCOME	TAX ON 1956 INCOME	PERCENTAGE REDUCTION
$3,000	$60	$0	100.0%
$4,000	$240	$160	33.3%
$5,000	$420	$340	19.1%
$6,000	$600	$520	13.3%
$7,000	$780	$700	10.3%
$8,000	$976	$896	8.2%
$9,000	$1,174	$1,094	6.8%
$10,000	$1,372	$1,292	5.8%
$15,000	$2,486	$2,406	3.2%
$25,000	$5,318	$5,238	1.5%
$50,000	$15,976	$15,896	.5%
$100,000	$44,724	$44,644	.2%

Assumes taxpayers at all income levels have deductions amounting to 10 per cent of income.

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What It Pays Now To Be a Congressman

Congress has voted itself a 50 per cent raise in pay. Big increases go also to federal judges, U. S. attorneys, others.

Even so, most of them are just catching up with the cost of living. Judges remain below 1939 in "real income."

Question: Will raises follow for 5 million other U. S. workers?

A seat in Congress is being made a good deal more attractive financially.

After years of debate and delay, Congress is raising its own pay, along with the salaries of federal judges, U. S. attorneys and some other officials of the Justice Department.

Competition for all these jobs is to be keener as a result. One argument advanced for the pay raises is that they will draw more men to public office, men who are able but have shied away because of the extra expenses.

The accompanying chart shows what is being done to improve these jobs.

For Congress: many extras. But pay alone is not the full story on Senators and Representatives. For them, additional benefits and allowances have been worked out over the years. Here is what they will be getting under the change, effective March 1—

Their salary will be $22,500 a year, up from $12,500.

Of that, $3,000 is—and remains—tax-exempt, in addition to the regular exemptions and deductions which the Congressman enjoys along with other taxpayers. This special deduction is to compensate him for the extra cost of maintaining two residences: one at home and a second in Washington.

A Congressman has been getting, in addition, a business allowance of $2,500, which is taxable, with no questions asked. In the table on this page it is counted as pay; the $22,500 figure for new pay is all salary.

The Government will be paying the Congressman in the future for six round trips a year between home and Washington. At present, one trip is paid for at a rate of 20 cents a mile, whether taken or not, and this is not changed. But five more trips are added, to be paid for at a rate of about 7 cents a mile, plus $9 per day of travel.

Besides these allowances, Senators and Representatives get varied amounts for their offices at the Capitol. This goes to pay for a staff, postage, telephone calls, telegrams and supplies. Many members complain they don't get nearly enough to pay the office bills; the $2,500 allowance was designed to help cover any deficit the Congressman met out of his own pocket.

"Fringe" benefits. Thus, a member of Congress has a substantial sum, besides salary, to cover costs. And he also has his "fringe" benefits.

He can get a pension, with Government footing part of the bill.

As a Congressman, he gets free medical attention from the Capitol physician.

Besides all this, many members have incomes from lecturing, writing, giving legal advice, running newspapers or other private activity.

Yet, with all the benefits of office, many members of Congress said they were strapped for funds. They cited the fact that Congress had not voted itself a real pay boost since 1946. Cost of living went up 37 per cent, but Congress made only occasional changes in its rules to help make ends meet.

How well off will a Congressman be now? He will be doing much better than recently, of course, but not much, if any, better than in some earlier years. For example, his purchasing power will be about the same as in 1939, allowing for the rise in taxes and prices.

In those days, a Senator or Representative got a salary of $10,000, with no special allowance or tax deduction; he was paid for one round trip home; for most, but frequently not all, his office costs. However, living expenses then were less than half what they are today.

Only one member of Congress—the Speaker of the House—will be substantially better off than in 1939. A special raise and allowance were voted for this post in recent years, to enhance its prestige. The Speaker, along with the Vice President, will now be getting $45,000 a year, including a $10,000 expense allowance, which they get without proof of actual expenses.

How others fare. A Senator, representing an entire State, still will be getting much less than many successful businessmen.

Federal judges will have less "real income" than in 1939, in spite of the big pay raise now being granted. Pay of an Associate Justice of the Supreme Court goes up from $25,000 to $35,000; that of a federal district judge, from $15,000 to $22,500.

Some officials in the Justice Department are in still another category. What they get will depend on the Administration. Congress is giving permission for a raise in their pay, but final decision is left to the President.

U. S. attorneys, for instance, could be paid as much as $20,000 a year under the legislation, compared with a present maximum of $15,000. Assistant U. S. attorneys can get raises of as much as $3,000 a year.

Definite pay increases are provided for a few Justice Department men: the Solicitor General, Deputy Attorney General and Assistant Attorneys General.

Other Government workers now may feel they have been left behind in the matter of pay raises. Formerly, this was not the case. The great bulk of office employes on federal payrolls have had five raises, starting in 1945, for a total of about 66 per cent.

But their pay is up a good deal less than the rise in living costs since 1939, officials say.

Five million raises? So Congress is now considered more likely to pass bills, already pending, to raise the pay of servicemen, postal workers and all other federal employes. The new round of Government raises, started by Congress, could spread to 5 million soon.

Raises for Congress and Judges

	Old Pay ▼	New Pay ▼
Senators	$15,000	$22,500
Representatives	15,000	22,500
Vice President	40,000	45,000
Speaker of the House	40,000	45,000
Chief Justice of U. S.	25,500	35,500
Associate Justices, Supreme Court	25,000	35,000
U. S. Circuit Judges	17,500	25,500
U. S. District Judges	15,000	22,500
Judges of Tax Court and Customs Court	15,000	22,500
Judges of Court of Claims, Court of Military Appeals and Court of Customs and Patent Appeals	17,500	25,500

HOW REPUBLICANS SEE '56: IKE SAFE, CONGRESS IN DOUBT

From Republicans themselves comes this size-up of their own party's chances at the polls next year:

• President Eisenhower is almost a sure thing for a second term in the White House.

• Electing a Republican Congress, however, is another matter. Democrats, as of now, are given the edge in Senate and House races.

The analysis that follows points up problems faced by Republicans in Senate contests.

A glimpse into the political calculations for the future is provided in private studies that are being passed around among Senate Republican leaders. Here is what these show for the days ahead:

Barring unforeseen developments, the Republicans expect to continue to hold the White House after 1956 with the re-nomination and re-election of President Eisenhower. But they have less hope of capturing Congress. In their view, the Democrats have a better chance of remaining in charge of one or both houses of Congress after the 1956 elections.

In the Senate, the odds against the Republicans' winning control in the 1956 elections are figured at 2 to 1, or higher. This is indicated by a study Senator Barry Goldwater, of Arizona, chairman of the Republican Senatorial Campaign Committee, has given to members of the Republican National Committee.

In the House, a Republican analysis of the results of the 1954 election shows that the Republicans have twice as many congressional seats that could be lost by a 5 per cent shift in the vote as the Democrats have. There are 63 such Republican seats, but just 31 Democratic seats. Fourteen Republican House seats would go to the Democrats with a 1 per cent change of votes, against only 4 such close Democratic seats.

A test: Ike's popularity. It is surveys like these that are jarring Republican hopes for 1956. A few Republicans, such as Senator Eugene D. Millikin, of Colorado, hold the view that the President's popularity may lift the party to a congressional victory in 1956. But others point out that Mr. Eisenhower ran ahead of his party in 1952 and, if the polls are any clue, may do so again in 1956.

The clearest glimpse of trouble ahead that is sighted by Republicans shows up in their analysis of the 1956 Senate races. Two of the charts worked up by the Senate Republican Committee, as shown on pages 26 and 27, sketch the geography and the odds against Republican victory.

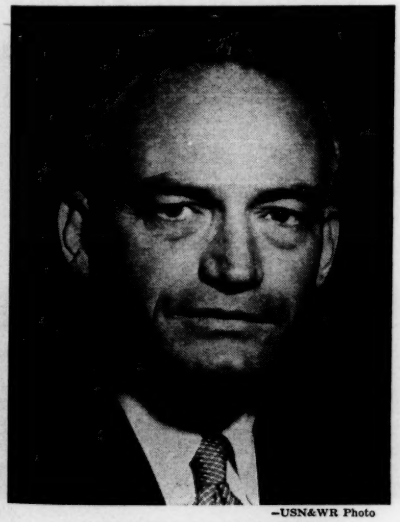
A third of the Senate seats are to be filled in the 1956 election. These are the seats that were involved in the elections of 1950 and a few special elections since then to fill vacancies caused by deaths.

Of the 32 Senate seats in the election, 17 are held by Republicans, 14 by Democrats, 1 by Senator Wayne Morse, of Oregon, who has been listed as an Independent. Mr. Morse, elected as a Republican, registered recently as a Democrat and plans to run as one in 1956. Thus, the Republicans have 17 chances to lose, the Democrats only 14, or 15 if Senator Morse is counted as a Democrat.

The Republicans figure that the Democrats have almost twice as many "safe" seats involved in the election as do the Republicans. Nine Democratic seats are listed as having been won by such top-heavy margins as to make them all but untouchable in 1956. Only 5 Republican seats are placed in such a category.

At the same time, Republicans list more than twice as many of their own Senate seats in danger zones as the Democrats have in such a spot. Twelve Republican seats were won by the incumbents by margins of less than 5 per cent of the vote. Only 5 Democratic seats were won by such thin margins.

Adding to these Republican difficulties, 10 of the 12 Republican Senators who won their seats by less than 5 per cent margins are in States in which their party has lost ground in the legislatures since 1950. In 8 of these 10 States, Re-



–USN&WR Photo

SENATOR GOLDWATER
. . . figured the odds

–USN&WR Photo

SENATOR MILLIKIN
. . . disagreed

publican candidates for Congress got a smaller proportion of the vote in 1954 than they did in 1950. This is taken by the Republican analysts as showing a grass-roots trend away from the party since 1950.

Voting trends. The 8 States where there was a decline both in Republican legislative representation and in congressional-vote percentages were Colorado, Wisconsin, Kansas, Illinois, Pennsylvania, Iowa, Indiana and Maryland. Ohio and Connecticut Republicans lost legislative seats. California showed a decline in the congressional vote. Utah Republicans have held their strength in both respects.

Where Democrats stand. In contrast to the Republican plight, only 2 States that reflected legislative or congressional-vote trends way from the Democrats were found by the analysts. These States were listed as New York and Washington.

Thus, in the final appraisal, the Senate Republican study lists 8 Senate Republican seats that are deepest in danger in 1956, as against only 2 such Democratic seats.

Other analysts of both parties report, however, that there are several points in the appraisal that are open to question.

This study lifts Oregon out of the picture. Senator Morse got almost 75 per cent of the vote there in 1950. But then he was running as a Republican candidate. Democrats managed to elect a Senator there in 1954 by a margin of only two tenths of 1 per cent of the vote. In 1956, the analysts expect Mr. Morse to have the toughest test of his career.

At the same time, Democrats refuse to concede the re-election of Senator Herman Welker, of Idaho, even though he got 62 per cent of the vote in 1950.

Similarly, Republicans in Arizona and Nevada figure that they have a chance to win in those States, in spite of the big votes rolled up by Democratic incumbents. They have won the Governorships in both States in recent years, as well as seats for a Senator and a Representative-at-large in Nevada.

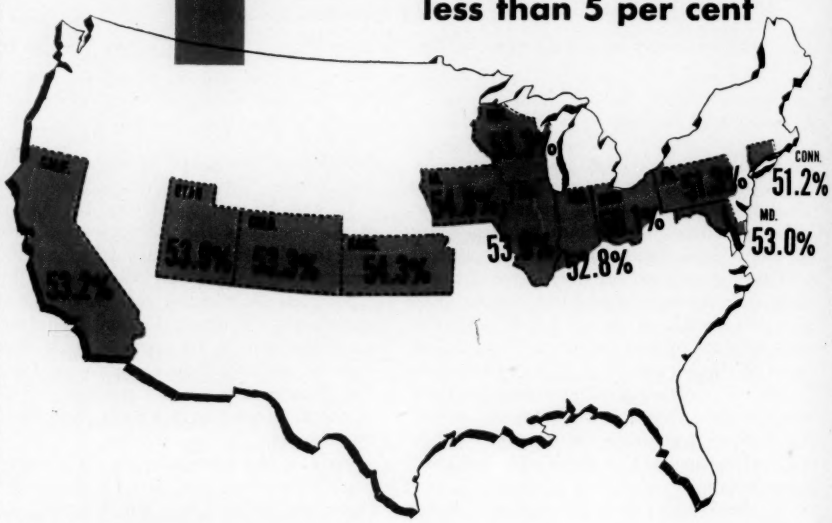
Moreover, Kansas Republicans have no fear of losing the seat now held by Senator Frank Carlson, even though this is listed as a dangerous spot.

Democrats, on the other side, do not regard Oklahoma as a critical State. Republicans have not elected a Senator there since 1942.

Chief trouble areas. In the main, strategists figure that, of the 12 trouble States listed for the Republican, the greatest difficulties are likely to show up in Connecticut, Colorado, Illinois, Indiana, Ohio, Pennsylvania and Maryland. They expect no real trouble in Kansas, and, although the fighting will be hard, speak confidently of holding their ground in California, Iowa, Utah and Wisconsin.

SENATE RACES IN '56—

IN 12 STATES, Republican Senators won their seats by less than 5 per cent



IN 5 STATES, Republicans feel safe. Their Senators won by big margins in Idaho, New Hampshire, North Dakota, South Dakota and Vermont.

THUS: Thirty-two Senate seats are to be filled in 1956—17 Republican, 14 Democratic, 1 Independent. In marginal areas, there are 12 Repub-

Source: Senator Barry Goldwater

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THE "DANGER" AREAS

IN 5 STATES, Democratic Senators won their seats by less than 5 per cent

IN 9 STATES, Democrats feel safe. Their Senators won by big margins in Arkansas, Alabama, Louisiana, Nevada, North Carolina, Arizona, Florida, Georgia, South Carolina.

In Oregon, Senator Morse, Independent, elected by a big majority as a Republican in 1950, plans to run as a Democrat in 1956.

lican and 5 Democratic seats. Republicans have more than twice as many seats in danger areas as Democrats have.

Democrats elected a Governor in Connecticut and made gains in the State Legislature. Colorado is on balance between the two parties, each of them getting 50 per cent of the congressional vote in 1954, and an equal division of the major elective jobs in the State. Illinois is in almost the same situation.

The situation is worse for the Republicans in Pennsylvania. There Democrats won the Governorship in 1954 for the first time in 20 years, and got 51 per cent of the congressional vote. Maryland, although electing a Republican Governor, turned more strongly Democratic in its congressional voting.

In Indiana and Ohio, Republicans are in a somewhat better position. However, running for the short term in 1952, Senator George H. Bender squeezed into office in Ohio by a margin of only one tenth of 1 per cent over his Democratic opponent. Democrats hold the Governorship there. In Indiana, Republicans hold most of the offices and got 53 per cent of the congressional vote in 1954.

Republicans regard California, Iowa, Utah and Wisconsin as easier ground. They hold the Governorship and both Senate seats in each of the 4 States. Although voting margins in California, Iowa and Utah stand inside the 5 per cent level for the Republicans, party leaders there are not too scared. In Wisconsin, although the Republican proportions of the congressional vote slipped down from 62 to 52 per cent between 1952 and 1954, Senator Alexander Wiley thinks he can win.

In their marginal areas, Democrats figure that they have a historical advantage in the Border States of Kentucky and Missouri. Democrats hold the Governorships, both Senate seats and most of the House seats in both States.

Democratic worries. The real trouble spots for Democrats lie in New York and Washington. New York always is a tossup for either party. But it swung toward the Democrats in 1954, giving them a small majority, less than 1 per cent, of both the congressional and the gubernatorial votes. In Washington, Democrats hold both Senate seats, but Republicans have the Governorship and 6 of the 7 House seats. Republicans got 57 per cent of the congressional vote in 1954.

On balance, the Republican analysts are willing to concede that the general picture favors the Democrats. But they are preparing to fight the campaign through to the end, hoping that President Eisenhower can generate enough power at the top of the ticket to give them control of Congress. At the worst, they figure on the same kind of stalemate that exists now.

In the Democratic camp: For the meaning of the Chicago elections, see page 81.

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NEW POWER IN RUSSIA

Red Army Holds Key—Which Way Will It Turn?

Watch the Soviet Army—and Georgi Zhukov—for a clue to the next move in Moscow.

Communists can't be sure of the Red troops. They're wary of putting complete trust in Zhukov, too. He's a party man, but a national hero. So long as he takes orders, Khrushchev & Company can do about as they choose. But remember: Stalin had trouble with his military, purged the top off the officer corps to feel secure. Red troops turned on Communists in World War II. This can happen again. It will pay to keep an eye on the Soviet Army.

Generals of the West who knew Zhukov give their estimates of him on page 52.

Marshal Georgi K. Zhukov and the Red Army are a new force that is having to be reckoned with in Soviet Russia at this time.

Zhukov is the No. 1 hero of the Army. The Army is the power that some day might be in a position to challenge the dominance of the Communist Party.

Did Zhukov's promotion to Defense Minister mean that the day of the Army's challenge to the party is close? Or is Zhukov merely being used to calm any restlessness within the ranks of the Army or in its corps of professional officers? Is Zhukov himself bidding for supreme power in the Soviet Union?

In governments all over the world, the experts are up against questions of this kind.

The answer, given almost unanimously, is that, as of now, the Red Army remains under the tight control of the Communist Party.

Marshal Zhukov himself is pictured by most as a man who is not now seeking to displace party leaders at the top of the Soviet dictatorship. For the present, at least, he appears content to remain the party's ally.

The stocky Marshal today is Russia's top soldier. His prestige in the country is enormous. He has a country estate, lots of servants, plenty of the material things of life. He is consulted on military matters and speaks for the Army. He is an energetic 60.

What's ahead for the Marshal, if he avoids a fight for power, is relative security. He might succeed Marshal Kliment Voroshilov, now 74, as "President" and figurehead of the Soviet Union. He could lose all this and his life, too, if he challenges party control.

Zhukov knows odds. The ups and downs of life in the Soviet state are well known to Zhukov. Thousands of his fellow officers have been shot; thousands more exiled. He himself once before attained the dizzy heights of national hero, only to vanish into obscurity.

REALLY BIG MAN ZHUKOV, NEW DEFENSE MINISTER
WE NEED THE BIG MAN TO COVER UP MISTAKES
BUT ARE YOU SURE HE IS NOT SO BIG HE MAY COVER UP US!
BOSS KHRUSHCHEV
BULGANIN
REG MANNING

—Manning in the Phoenix Arizona Republic

"IS MAYBE TOO BIG?"
Westerners wonder, too

This time the chances are that Zhukov, in return for lending his name and his prestige to the Communists who rule Russia, will demand a price. He is expected to insist that the Communist secret police be denied a position above the Red Army.

It is this, the relationship between party and Army in Russia, that interests governments in the West.

The Red Army is a peasant Army. Its rank and file, even the bulk of its officers, are drawn from the poor farm peoples of the Soviet Union.

The Red soldier lives better in the Army than he lives in the log cabin, sod hut or single crowded room which he calls "home." His officers are among the elite of Soviet society. But both soldiers and officers have their roots in the farms, where Soviet planners have always run into trouble.

In the record of the Communist state, there are incidents which cast doubt on the loyalty of the Red Army to Communist politicians.

Early in World War II, large elements of the Army showed no enthusiasm for the Soviet regime. In the rich farm region of the Ukraine, whole divisions surrendered. The Germans organized divisions from Soviet prisoners.

But the Nazis did not "liberate." They conquered and ruled. Communist leaders were able to appeal to patriotism, to ask people to fight for "Mother Russia," not just the Communist regime. So the Soviet soldiers finally settled down to the bitter fighting which broke the German attacks.

Mutiny in Germany. In East Germany, in June of 1953, Soviet soldiers again showed they would not always follow Communist orders. East German workers rioted against their Communist Government. Soviet soldiers, ordered by their officers to fire on the workers, refused.

Peasant rebellions, in the countryside and in the Army, are nothing new in Russia. The czars had their troubles with peasant-born troops. Soviet Communist leaders are suspicious of them, too. Red Army officers are permitted to enforce the strictest discipline in the rank and file. But the officers themselves are a source of worry for Communists.

Always in the minds of Western officials and Communist leaders is the experience of the 1930s.

Back in 1922, the German and Soviet Russian governments were the outcasts of world society. Germany had lost

World War I. The Bolsheviks had succeeded in driving out Allied troops that sought to halt their revolution. So the German and Russian governments agreed at Rapallo in Italy in 1922 to co-operate.

This treaty led to secret military co-operation. Members of the former German General Staff, lacking a German Army, helped organize and train the Red Army command. Zhukov himself, as a young tank specialist in 1928, got secret instruction from German staff officers in Germany, with other Red Army students.

When Adolf Hitler started Nazi Germany on its way back to military power, Joseph Stalin ordered his officers to quit co-operating with Germans. Some did quit. Some didn't. There is evidence that Marshal M. Tukhachevsky, a military hero of the Bolshevik regime, conspired with Germans against Stalin's rule.

Then, the purge. The great Red Army purge began in 1937. Marshal Tukhachevsky was shot after a secret trial. As the Communist Party grew bolder, executions and arrests increased. Before the purge was over, nearly a quarter of the entire officer corps had been arrested. Thousands were shot. Most of the rest died in Siberian camps.

Few high officers survived. Captains and majors had to be jumped up to generals overnight. Georgi Zhukov, then an obscure junior officer, owes his rapid rise to this purge.

By 1939, Zhukov was a general commanding a tank division which helped to destroy a Japanese Army in the Mongolian "border incident." In World War II, he became Stalin's top general. At the war's end, he went to Berlin, where he spoke for Soviet Russia.

Western generals found Zhukov pleasant, confident, co-operative. He even considered accepting Gen. Dwight D. Eisenhower's invitation to visit the U. S. as Russia's No. 1 war hero. That was Zhukov's undoing.

Zhukov suddenly was relieved of his Berlin command and vanished for a time. He turned up near Odessa, driving a rattletrap car to funeral services for a friend, then vanished again. Only after Stalin's death was he restored to favor. Stalin's heirs then needed the support of a man popular with the people.

For a time, Zhukov remained in a secondary role. He helped Communist Party leaders break the secret-police power which all feared. Now he has risen close to the top as Defense Minister.

What interests Western officials about Zhukov's new role is that he may be in a position where he must be consulted on military matters.

Sizing up Zhukov. The Red Army leader knows the military power of the Western Allies. In interviews with top Western leaders, elsewhere in this issue, you get their appraisal of him. Other key officers and officials in the West, sizing up Zhukov anonymously, say this about the man and his Army:

A top-ranking U. S. military man: "Zhukov can recommend from experience against hasty military action which would not be successful. He will not be likely to risk war with the U. S."

A diplomat with long experience in Russia: "Nikita Khrushchev has had to open the door to Zhukov, the people's hero. On military matters, Zhukov's opinion is likely to prevail. He will be cau-

THE TYPICAL SOVIET SOLDIER—

- Comes from peasant stock, accustomed to hard labor and poverty in a police state.
- Gets premilitary training in schools and youth groups from age 6.
- Is inducted as a conscript at 19, forced to serve two to five years or more.
- Uses live ammunition in training, works hard for a 10-hour day, six-day week.
- Enjoys food and housing far better than he gets at home; pay is pin money.
- Gets hours of political training each week, watched by party agents.
- Undergoes harsh discipline, salutes corporals, can be shot on a captain's orders.
- Gets some travel in the Army; in civilian life, he stays in his village.
- Is commanded by officers of peasant stock who are World War II veterans.
- Stands little chance at becoming an officer; full-time officer training starts at 9.

Photo: Sovfoto

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—Sovfoto

RUSSIA'S SOLDIERS
. . . do not always follow Communist orders

tious, aware of Russia's military weaknesses."

A German who knew the Communist leaders of Russia personally in prewar days: "Do not expect a Soviet military leader to risk chaos by trying to destroy the Communist Party machinery. Zhukov is a hero with great prestige and all the material benefits his country can offer; he will not risk all that in any revolt against the regime."

A Japanese expert on Russia: "Zhukov's rise means that Soviet policy in the Far East will be geared to defensive Red Army thinking. If Red China got into a shooting war with the United States, the Chinese would ask Soviet help. A Communist politician might give it. But Zhukov must be consulted now. He would be against such an adventure."

A Russian-speaking Westerner who has dealt with top Soviet leaders: "You must remember that the Red Army leaders fear the rearming of Germany more than almost anything else. At a time when German rearmament is getting under way, they are not likely to tolerate a weakening power struggle in Moscow. But they are not likely to permit wild use of Soviet arms, either."

A Western expert on the Soviet Army: "The Red Army is a peasant Army. If the Red Army now has real influence, watch for it in terms of the farm economy. Peasants in the Soviet Union don't like collectives. The Red Army may demand an end to the collectives, whether the city boys who run the Communist Party like it or not."

A Russian ex-Communist now in the West: "There is no organization which really represents the people in the Soviet Union. The nearest thing to it is the Red Army. Through the mouth of Zhukov the people of Russia, at long last, may be heard. But one cannot expect miracles overnight."

Kremlin in trouble. The top Communists who run the Soviet Union from the Kremlin are aware of the danger that lies within the Red Army. They are aware of Zhukov's personal popularity. In the struggle for power among themselves, however, they appear to have let Zhukov in at the top.

Zhukov himself is no doubt aware that his every move is watched. Nikolai Bulganin, the new front man of the Soviet Government, has been delegated to watch Zhukov for many years. On Stalin's orders, he was at Zhukov's side through the war. After Stalin's death, as Defense Minister, Bulganin still kept an eye on Zhukov, his deputy. Now, as Premier, Bulganin continues to watch his Defense Minister.

A possible replacement for Zhukov is kept close at hand by the Communist Party. Marshal Ivan Koniev has been Zhukov's rival through more than 30 years. Koniev, too, is a hero of the Soviet Union. Now he waits in the wings as a new member of the Supreme Soviet in Moscow, ready to move in if Zhukov gets into trouble.

Zhukov and the Red Army may hope, one day, to be free of Communist Party control. A peasant rank and file, reflecting no great admiration for city Communists, may look to a man of Zhukov's prestige to lead them. Best guess is that such a development is not yet in sight. But it could happen any time. Thus Zhukov's Red Army becomes a new power to watch in Soviet Russia.

Six generals — Dwight Eisenhower among them—tell what they learned in their contacts with Russia's new Defense Minister. Begins on page 52.

—Sovfoto

ZHUKOV SHOWED IKE A COLLECTIVE FARM
. . . but Stalin wouldn't let him go to the U. S.

New RCA Radar "Weather Eye" Sees Through Storms

In our time, man has won round after round in the century-old contest against the elements.

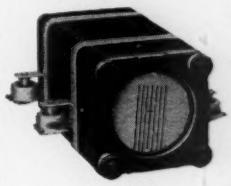
For thousands of years, caravan leaders, ship captains, and now airplane pilots—men responsible for the safe transport of travelers and merchandise—have studied the skies. What unseen far-distant dangers lurked there? Fog? Storm? Hurricane?

The most recent scientific victory is something new in Radar—an electronic "Weather Eye" developed by RCA.

In airplanes, this supersensitive instrument peers miles ahead. It gives advance warning of weather disturbances. The signals on its radar screen point the way to a safe course *around* storm areas, or even *through* them.

The leadership in electronic research that made the "Weather Eye" possible is inherent in all RCA products and services. And at the David Sarnoff Research Center of RCA, Princeton, N. J., scientists are continually at work to extend the frontiers of "Electronics for Living" — electronics that make your life easier, safer, happier.

New RCA Weather Mapping Radar weighs under 125 pounds, takes little space in a plane.



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Weather Bad? Don't Blame the Atom

Official Study Shows Bomb Tests Not at Fault

Have atomic explosions been the real cause of freakish weather? Now, at last, come conclusions based on actual scientific evidence. As U. S. Weather Bureau experts answer questions—

Can atomic bursts touch off blizzards? Not a chance. Is rain caused by radioactive dust? Evidence says no. How about tornadoes? Definitely not. Lightning? No. Drought? Impossible.

Explosion of an A-bomb of the latest type, in current Nevada tests, was followed within 24 hours by the worst blizzard to blanket the Midwest since 1949.

Since the A-bomb tests of 1952 began, tornadoes reported by U. S. weathermen have jumped in number from a previous high of 230 to 532 in 1953, then to 686 in 10 months of 1954.

In the same period, drought and heat waves have become more pronounced, with October, 1952, the driest month on record in the U. S.

Weather experts of the U. S. Government, under growing pressure to explain all this, finally have made public conclusions of a scientific study into the possible tie-in between atomic blasts and this country's weather.

Evidence collected by L. Machta and D. L. Harris, of the U. S. Weather Bureau, over a prolonged period is used to give these official conclusions, presented recently to the American Meteorological Society:

Rain from fall-out? The big question, for the scientists, was whether the dust of radioactive fall-out could be touching off rainstorms. Normal dust particles sometimes act as "precipitation agents" that cause rain to fall by collecting a cloud's moisture into particles that grow to form rain drops.

"From the Nevada tests," the weathermen's report states, "it has been found that more than 99 per cent of the debris from a typical low-altitude atomic explosion consists of soil particles sucked up by the rising cloud without becoming radioactive or having their physical and chemical properties significantly altered by the explosion.

"Samples of this dust have been sent to two laboratories to be tested as ice nuclei [able to turn a cloud's moisture into rain]. The Air Force Cambridge Research Center reported their findings as negative and Vincent Schaefer, of the Munitalp Foundation, emphasized the point by stating that the dust recovered from one rather muddy rain in Schenectady, N. Y., was 5,000 times more effective [as a rain-causing agent] than the dust from the Nevada Proving Ground. . . ."

How about an H-bomb test that resulted in highly radioactive dust—could that become rain-producing? The scientists report: "The possibility that the radioactive nature of some of the debris might play a part in cloud seeding was also studied at the Air Force Cambridge Research Center. . . . None of the radioactive material tested was effective. . . ."

Atom-caused lightning? The possibility of lightning caused by atom-splitting was looked into, too.

Conclusion: "No observational evidence or theoretical reasons have been found" for such a belief. In fact, A-blasts might reduce lightning.

Why more tornadoes? The big increase in number of reported tornadoes is attributed to a better reporting system, not necessarily to more tornadoes.

They say this: "A careful examination of the system for reporting tornadoes reveals considerable improvement since 1950, with perhaps the greatest improvement taking place in 1953 and continuing into 1954; it is believed that much of the increase in tornado reports can be traced directly to these changes."

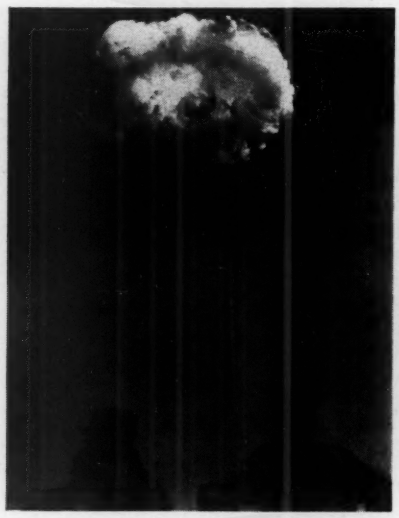
Evidence was sought that the atomic tests may have had a hand in the seven worst tornadoes in 1953. "However," the report states, "none of these extremely damaging tornadoes occurred under the atomic cloud or in areas of relatively high fall-out of radioactivity. . . ."

Drought from radioactivity? The scientists find the U. S. to be in a hot, dry period, with rainfall below normal since 1952. But they point to a long series of previous dry spells and conclude:

". . . The ultimate causes of these earlier periods of dry weather are also unknown. However, atomic explosions could not have caused them, and there is little reason for believing that the current dry spell has been brought on by the atomic explosions."

What the scientists arrive at, in this official study, is this:

"When the best available observational evidence and the most plausible theories are considered together, there appears to be no reason for believing that any past atomic explosion at the Nevada Proving Ground has had any significant effect on the weather more than a few miles from the test site."



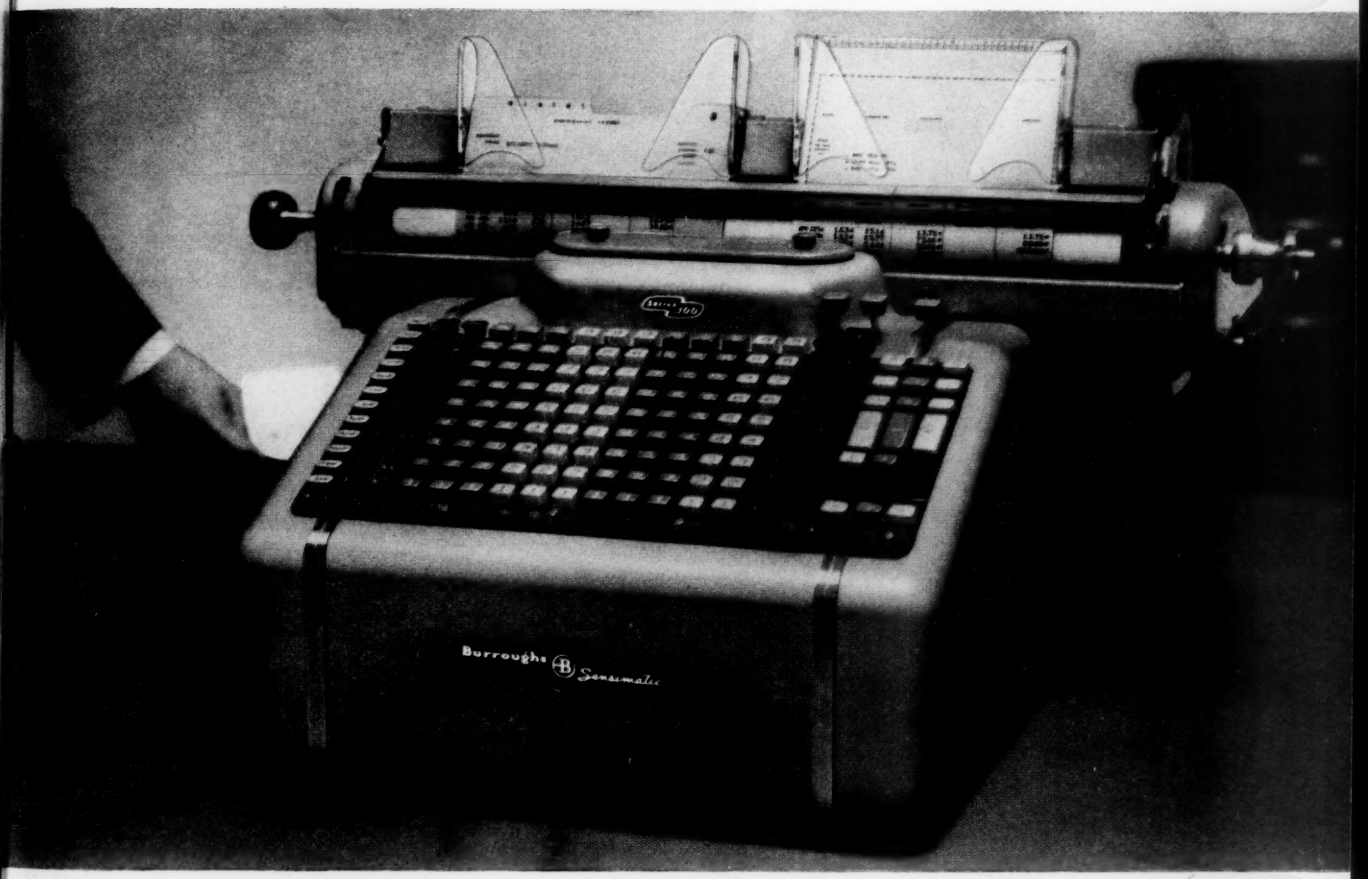
AFTER THE A-BOMB . . .

—Dept. of Defense, United Press

. . . THERE MAY BE A BLIZZARD

. . . but it is not a case of cause and effect

Big – like Abbott Laboratories Or small – like Ingalls Memorial Hospital



Burroughs Sensimatics can cut your accounting costs

Here's a machine—the Burroughs *Sensimatic* Accounting Machine—that's as big a boon to small businessmen as it is to large corporations. For example:

Overseas, Abbott Laboratories, worldwide manufacturer and distributor of drug products, finds that Sensimatics provide a fast, accurate, fully mechanized method of handling a tremendously heavy accounting job. At Ingalls Memorial, community hospital in Harvey, Ill., a *single* Sensimatic provides the speed and versatility to completely mechanize *all* accounting work—so it can be handled by just four girls.

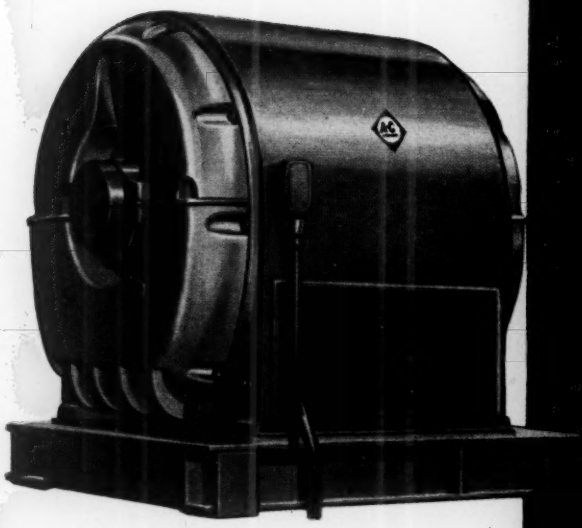
To be so versatile, and so fast, the Sensimatic is built with a Burroughs exclusive—a "sensing panel" that makes it *four machines in one.*

Because of this panel, you can do four major accounting jobs at the turn of a knob. And, because you can easily insert a new four-job panel for other operations—or even a new system—your Sensimatic never becomes obsolete.

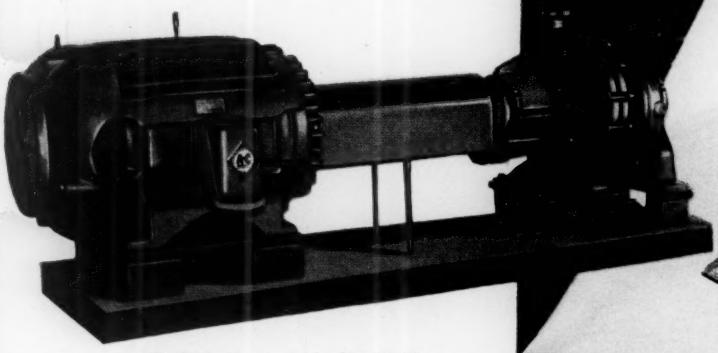
Naturally, we build these machines to fit any business—in six different series with from two to 19 totals. For a demonstration, call your Burroughs man. Or write Burroughs Corporation, Detroit 32, Michigan.

Wherever There's Business There's Burroughs

These machines help
paper your family



Allis-Chalmers builds motors to drive the machinery in pulp and paper mills.



Allis-Chalmers pumps circulate liquids and convey pulp.

Machinery and Equipment to Help People Pr

PREVENT FOREST FIRES

ALLIS-CH

pmake the 1,400 lbs. of
y uses every year!

LAST YEAR, Americans packed, wrapped, wrote, read, insulated and sneezed their way through 26 million tons of paper—or an average of 350 pounds for every man, woman and child in this country. If yours is an average family of four, that's almost ¾ of a ton used in a single year.

Generally speaking, paper comes from trees. It's pulpwood that has been barked, chipped, screened, cooked, refined, rolled and dried into the various forms of paper and paper board you know so well.

Paper making processes require many different kinds of machinery . . . much of it built by Allis-Chalmers. For instance, Allis-Chalmers makes:

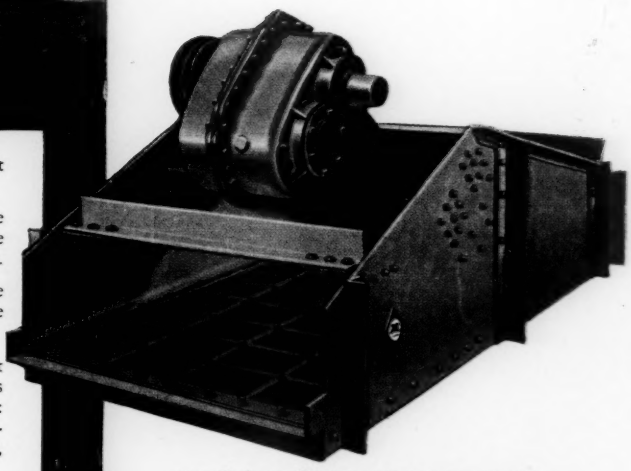
ELECTRIC MOTORS to drive the wood chippers, jordans and beaters that reduce the logs to pulp.

SPECIALIZED PUMPS that circulate the digesting liquids and convey the pulp from one process to another.

ELECTRIC SUBSTATIONS that distribute and control the power to drive the whole line of machines.

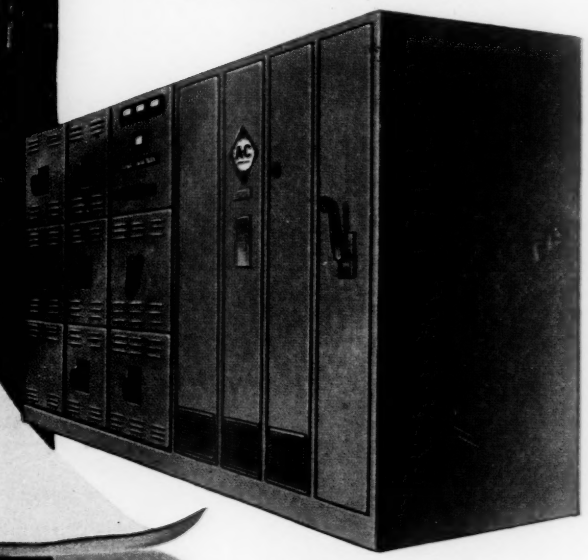
Among the other equipment manufactured by Allis-Chalmers for use in pulp and paper mills are: lime recovery kilns, screens, water-conditioning equipment, turbines, transformers and control.

This wide range of Allis-Chalmers equipment helps the pulp and paper industry to bring greater comfort and convenience to everyday living for all of us, through more and better paper products.



Allis-Chalmers vibrating screens size wood chips, remove knots and dewater the pulp.

Business papers and stationery



Allis-Chalmers substations distribute and control electric power.

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Tick-tock... tick-tock... the whiskey that didn't watch the clock... seven long years!

VIENNESE PENDULETTE. Heart, pushed down rod, re-ascends in 24 hours. Unique in America, as is Old Charter, better by the drink because it's aged longer by the clock.

OLD CHARTER GOES into the cask a superior whiskey. Seven slow years' aging mellow it to rare magnificence. These two simple, but vital, factors are behind the superb flavor that is Old Charter's, alone. Long a bourbon drinker's *premier* whiskey, Old Charter's superb quality and rare smooth flavor have actually won over many Scotch, Canadian and Bonded whiskey drinkers. It has become one of the leading *quality* whiskies in America. Try it yourself. You'll see *why*.

OLD CHARTER

Kentucky's Finest Bourbon

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OLD CHARTER DISTILLERY COMPANY • LOUISVILLE, KY.

WHY BRITAIN NEEDS U.S.

Navy, Air Force Run Down, Army Strength Scattered

The British—No. 1 military partner of U. S.—are taking a hard look at home defenses, and getting quite a jolt.

Modern arms, planes, ships are almost wholly lacking. U. S. power is holding the real protective umbrella over Britain.

Plans to push H-bombs, rebuild air and sea fleets, bring defense up to date, are started. But they have a long way to go.

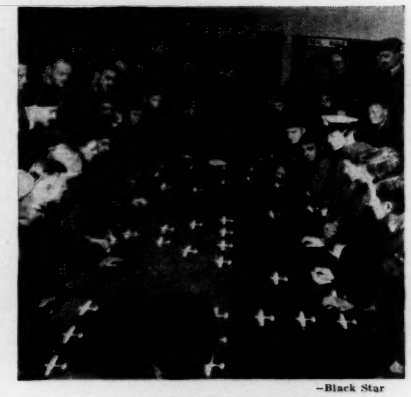
LONDON

It is American air strength and American naval strength that today provide the British Isles with their principal modern defense.

American bombers, American fighters and guided missiles, American power at sea are the main protectors of Britain owing to a series of difficulties this nation is having with the production of modern arms.

At the moment, Great Britain is going through some soul searching on the subject of national defenses. The public, reading the defense estimates just put before Parliament, is coming to the startling realization that British armed forces are almost wholly unprepared for modern war.

Development of guided missiles is only in the initial stages. A modern atomic bomber has yet to be produced and put in service. Warplanes upon which the defense of Great Britain depends are out of date. In most modern craft, the Navy has slipped behind the times in terms of ships actually in operation.



—Black Star

RAF PILOTS TRAIN
. . . with outmoded planes

Government reports made public last week reveal these things. *The Times* of London, in a series of articles, has just pointed out the weaknesses and troubles in the Royal Air Force and the Navy. The weekly *London Economist*, reporting on Britain's military plight, says: "Now and for some years to come there will be no effective defense."

Much of this present weakness is traced to decisions made under the Socialist Government that came to power at the close of World War II. Moves are being made now to help remedy the situation. There are plans for guided-missile ships, for hydrogen bombs, for new bombers, new interceptors, giant aircraft carriers and a modern Navy geared to fight in a "thermonuclear" war.

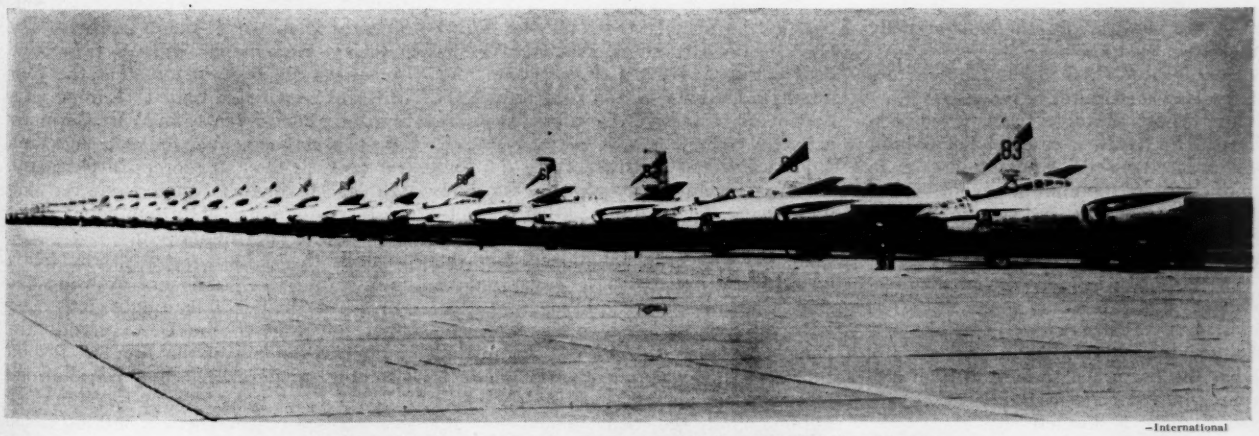
It is recognized, though, that it will be months and years before the military blueprints become actuality. Until then, it is the U. S. that provides these islands with their modern defense.

Eighteen U. S. air bases in Britain are manned around the clock. They are equipped with F-86 Sabre jet fighter-bombers and B-47 bombers capable of delivering atomic bombs far behind the Iron Curtain. The 50,000 U. S. airmen stationed in Britain are on constant alert.

It is the same situation with the U. S. Navy. Britain's once-proud fleets now are a stripped-down Navy of aging warships. The U. S. warships, with their ability to deliver an atomic punch on short notice, are the mainstay of Allied naval power. Without the U. S. sea power, an enemy could starve Britain out of a modern war.

American military planners are well aware of Britain's plight. They recognize that the U. S. will have to hold a protective umbrella over the British Isles for as long as it takes this country to untangle the snarls in its defense program brought about by postwar demobilization and the Korean war.

RAF: dated. Two decisions taken when the postwar Labor Government



—International

BRITAIN'S RELIANCE IS ON AMERICAN PLANES LIKE THESE
In the British Isles: 50,000 U. S. airmen

was in power are blamed now for the fact that the Royal Air Force is depending on aircraft that are 10-year-old models.

After World War II, it was decided there was no immediate likelihood of another war. In 1946, the British decided not to risk the lives of test pilots in supersonic models, because so little was known about flying at such speeds. "It is clear now," says the present Government, "that this decision seriously delayed the progress of aeronautical research in the United Kingdom."

With the Korean war, the Labor Government entered into a "crash program" to get planes built for the RAF. Planes were ordered from manufacturers before they could be test flown. Experts now say that the urgent program, instead of bringing the RAF up to date, actually set British aviation back by years.

In 1950, the RAF ordered production of the Hawker Hunter, a swept-wing day fighter whose prototype had never been flown. The Swift, a research jet fighter, was ordered off the drawing boards to production. A medium jet bomber was put into production and a carrier-based jet for the Navy was ordered before it was flight tested.

Of these planes, only the medium jet bomber is regarded as a success. The Swift has about been written off. The Hunter is undergoing improvements, but it has the hazard of stalling at high altitudes when its guns are fired. The carrier-based fighter is obsolescent.

The Royal Air Force is getting some Valiants, at a price equal to 1 million dollars each, but they are interim models. Only a handful of advanced Vulcans and Victors are flying today.

Britain is aiming at an air-defense system using a combination of fighters and guided missiles. As of now, however, no guided missiles are in operation. Ground-to-air missiles are undergoing trial firing. Air-to-air missiles have not reached the production stage.

Navy: behind Russia's. The British Navy cannot meet the Russian Navy on equal terms, now or in the near future.

It is accepted as authoritative here that within two years the Soviet Union will have some 30 fast, powerful cruisers, 150 destroyers, 500 submarines and 4,000 naval planes, all in commission.

Much of the British fleet, on the other hand, is in moth balls or on drawing boards. As of this moment, the Royal Navy has 5 battleships, 1 active; 16 aircraft carriers, with 4 in operation and others building; 24 cruisers, 9 active; 98 destroyers, 22 active; 57 submarines, 37 active.

—Combine

HER MAJESTY'S ROYAL NAVY
. . . cannot meet the Russian fleet on equal terms

Four carriers, a cruiser, three destroyers and several other vessels are now undergoing trials. In addition, a substantial building and modernization program has just been announced. But the actual fleet in service is composed of ships that are aging rapidly.

Naval aviation is lagging, too. The Navy's jet planes have just completed their basic development. The fleet is getting some deliveries of Seahawk day fighters, but the Sea Venom—an all-weather, carrier-based jet—is not yet rolling off assembly lines. There is virtually no development or production of helicopters now.

Morale in the Navy is on the downgrade. Since 1945, the service has had trouble getting men. A naval career no longer has its old-time appeal. Men who a few years ago would willingly have accepted the discomforts of Navy life now prefer to stay home where jobs are plentiful.

Army: overseas. Britain's Army strength of around 445,000 men is scattered about the world. Of 11⅓ divisions, four are stationed in Germany. Six others are engaged in, or training for, local police actions, fighting the Mau Mau in East Africa, cleaning up Communist guerrillas in Malaya, guarding against Communist uprisings in British Guiana. The British recognize that their Army, more than four fifths of it overseas, is dangerously extended.

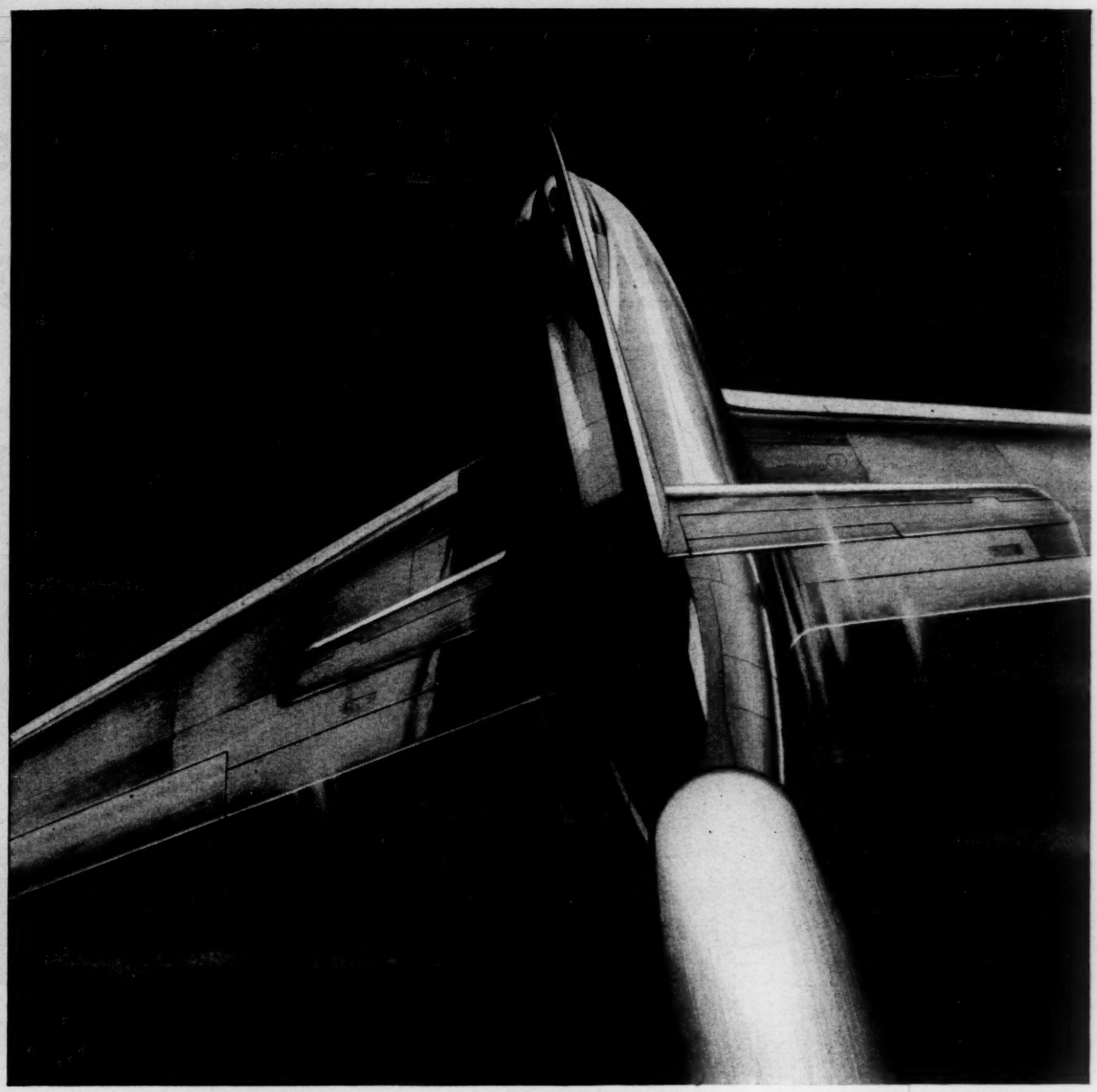
The Government is setting up 48 reserve battalions as a mobile reserve for home defense. It will be some time before this force comes into being. As of now, Britain's ground defenses at home depend on the equivalent of the National Guard in the U. S.

H-bombs coming up. Against this background, Britain now is turning toward the manufacture of the hydrogen bomb. She is planning production of an entirely new type of bomb, reportedly cheaper to turn out than the U. S. version. It will be many months, though, before this bomb is ready.

It also will be a long time before the British stockpile of atomic bombs amounts to much. British analysts think the international stock of atomic weapons divides roughly this way: U. S. bombs number in the low thousands; Soviet bombs, in the low hundreds, and British bombs, far below a hundred.

British authorities are not discouraged by the defense weaknesses now coming into the open. The average Briton is, indeed, proud that his country can confidently plan an H-bomb without any military interchange with U. S. atomic scientists. He is sure, too, that the four British divisions on duty in Europe as a part of Allied defenses in West Germany are just as good, man for man and tank for tank, as the U. S. forces in Germany. Air officials feel that their radar warning system plus out-of-date jets could blunt any attack on Britain.

Still, the defense reports now being put before the public are arousing the British to their military plight. It is clear that the arms of the U. S. provide the principal defense of the country. Britain is now modernizing her own armed forces—aware that, except for American air and sea power, there is nothing much available to prevent an enemy from blasting these islands off the map.



It takes two kinds of POWER

. . . to keep them flying!

It takes tremendous power to fly faster than the speed of sound. It takes unfailing electric power, too . . . racing with the speed of light to operate the complex mass of electronic instruments and control devices packed within the sleek skin of modern military aircraft.

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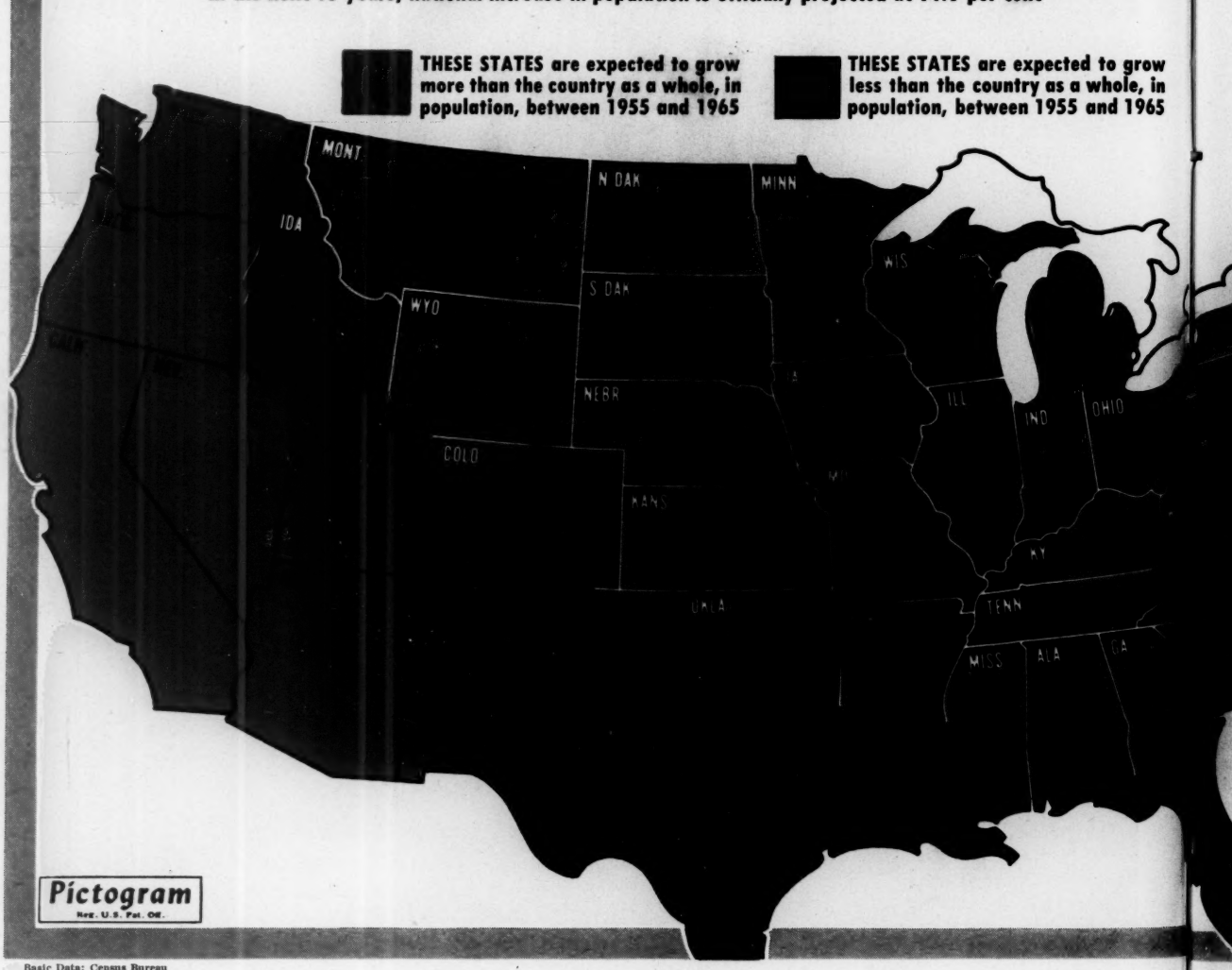
Where Population Is Expanding—A Look Ahead to 1965

In the next 10 years, national increase in population is officially projected at 14.9 per cent



Basic Data: Census Bureau

TEN YEARS FROM NOW, California will be the most populous State in the union—ahead of New York.

Florida, in those same 10 years, will jump from fifteenth to tenth in population rankings, passing North Carolina, Indiana, Missouri, Virginia and Georgia.

Texas will move up from sixth to fifth, passing Ohio.

By 1965, there wll be more people living on the West Coast—in California, Oregon and Washington—than in 15 Rocky Mountain and West North Central States stretching all the way east to the Mississippi River.

This outlook is based on population trends, projected 10 years ahead by the Bureau of the Census. In recent years actual growth has exceeded Bureau projections.

According to these calculations, the entire United States will grow 14.9 per cent in the next decade, from this year's estimated population of 164,138,000 to 188,593,000 by 1965.

The significant trend, however, is this: The growth is fastest in the West and South—and it's likely to get even faster in the years ahead.

This will mean important economic changes, affecting millions of people. Big new markets will be created and big new industrial centers will grow up.

Fastest-growing of all States, on a percentage basis, is Nevada. It is due for a population gain of 42.5 per cent by 1965. Arizona is next, with an indicated gain of 39.3 per cent. These States, however, are so sparsely populated now that the percentage growth won't mean much in actual numbers of people. There will still be wide-open spaces.

STATE	POPULATION NOW	POPULATION IN 1965	PER CENT GAIN
NEW ENGLAND			
Me.	930,000	996,000	7.1
N.H.	536,000	573,000	6.9
Vt.	382,000	404,000	5.8
Mass.	5,026,000	5,545,000	10.3
R.I.	836,000	916,000	9.6
Conn.	2,251,000	2,621,000	16.4
MIDDLE ATLANTIC			
N.Y.	15,667,000	17,456,000	11.4
N.J.	5,322,000	6,075,000	14.1
Pa.	10,890,000	11,850,000	8.8
EAST NORTH CENTRAL			
Ohio	8,671,000	9,925,000	14.5
Ind.	4,285,000	4,905,000	14.5
Ill.	9,273,000	10,388,000	12.0
Mich.	7,176,000	8,536,000	19.0
Wis.	3,622,000	4,050,000	11.8
WEST NORTH CENTRAL			
Minn.	3,127,000	3,431,000	9.7
Ia.	2,640,000	2,784,000	5.5
Mo.	4,183,000	4,538,000	8.5
N. Dak.	625,000	642,000	2.7
S. Dak.	665,000	696,000	4.7
Nebr.	1,365,000	1,437,000	5.3
Kans.	2,048,000	2,222,000	8.5
SOUTH ATLANTIC			
Del.	377,000	457,000	21.2
Md.	2,662,000	3,167,000	19.0
D.C.	872,000	999,000	14.6
Va.	3,688,000	4,271,000	15.8
W. Va.	1,974,000	2,123,000	7.5
N.C.	4,328,000	4,881,000	12.8
S.C.	2,254,000	2,494,000	10.6
Ga.	3,676,000	4,045,000	10.0
Fla.	3,657,000	4,983,000	36.3
EAST SOUTH CENTRAL			
Ky.	3,027,000	3,279,000	8.3
Tenn.	3,437,000	3,885,000	13.0
Ala.	3,201,000	3,558,000	11.2
Miss.	2,222,000	2,383,000	7.2
WEST SOUTH CENTRAL			
Ark.	1,931,000	2,018,000	4.5
La.	2,992,000	3,439,000	14.9+
Okla.	2,274,000	2,366,000	4.0
Tex.	8,645,000	10,088,000	16.7
MOUNTAIN			
Mont.	625,000	671,000	7.4
Ida.	623,000	703,000	12.8
Wyo.	316,000	357,000	13.0
Colo.	1,466,000	1,681,000	14.7
N. Mex.	797,000	962,000	20.7
Ariz.	1,022,000	1,424,000	39.3
Utah	769,000	912,000	18.6
Nev.	228,000	325,000	42.5
PACIFIC			
Wash.	2,611,000	3,171,000	21.4
Oreg.	1,705,000	2,145,000	25.8
Calif.	13,239,000	17,816,000	34.6

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Florida, in rate of growth, ranks third among all the States and first among those with already large populations. It is expected to grow 36.3 per cent by 1965.

Biggest boom ahead, over a wide area, is on the West Coast. California, now second to New York in population, is expected to become first by growing 34.6 per cent while New York grows only 11.4 per cent.

Washington and Oregon will expand almost as fast as California. The result will be 5.5 million more people living on the West Coast by 1965. This is equivalent to adding another city the size of Chicago. By 1965, almost half of all Americans west of the Mississippi will live on the West Coast.

Most coastal areas, in fact, are growing faster than interior States that have no access to the sea. Among these coastal States due for big gains are Texas, Louisiana, Maryland, Virginia, Delaware and Connecticut.

The only big and populous State in the interior that is expected to outstrip the national average in rate of growth during the next 10 years is Michigan—which has access to the Great Lakes and the projected St. Lawrence Seaway.

These trends do not mean that the old population centers—such as New York, New Jersey, Pennsylvania, Illinois and Ohio—are going to fall far behind. Their growth is to remain near the national average.

Where population is to grow most slowly is in New England, the East South Central States and the West North Central farm region.

Search of Americans, it seems, is for milder climates, fresh opportunities. The trend is West and South.

A BILLION-DOLLAR TEAM FROM TEXAS

The Story of Clint Murchison and Sid Richardson

They're not exactly partners—just close friends. But these two Texas millionaires have collaborated on so many big deals that people have come to think of them together.

Sid W. Richardson and Clint W. Murchison, Sr., made fortunes out of oil and gas. That, however, was only the start of two fantastic careers. Now they are in all kinds of business enterprises. Big Eastern financiers have learned that the financial influence of these Texans is a factor to reckon with.

This is how two Texas associates use their oil and gas wealth to make more money—and have fun doing it.

Reported from
DALLAS and FORT WORTH

Two Texas millionaires are using their oil wealth to build big and varied business empires spreading clear across the nation.

Between them, Clint W. Murchison, Sr., of Dallas, and Sid W. Richardson, of Fort Worth, are taking a hand in almost every kind of business, ranging from race tracks and fishing tackle to life insurance companies and the New York Central Railroad.

Although they often pool their money in business deals, they are not formal partners. Each has his own private interests. Rather, they are almost inseparable friends who share a liking for a good trade or a profitable investment.

—Wide World

SID W. RICHARDSON
. . . has been rated a billionaire

Mr. Murchison, 59, and Mr. Richardson, 63, have been friends and business collaborators since their youthful dealings in cattle in Athens, Tex., where both grew up. They co-operated also in many of the oil and gas ventures that produced their great fortunes. And they've continued their close association in investing the fortunes that grew from oil and gas.

When a big deal turns up that appeals to both of them, they join forces. Since both command large resources, their financial influence has become important and nation-wide.

An example is their recent deal in New York Central Railroad stock. With an investment of 10 million dollars each, they helped a fellow Texan and close friend, Robert R. Young, wrest control of the railroad away from big Eastern interests that had controlled it for years.

Profit in millions. Like most Murchison-Richardson deals, this railroad venture turned out to be profitable. Already they can count a joint "paper" profit of 7 million dollars on their New York Central shares, and they are holding on in anticipation of still-greater profits.

With all their varied holdings, it is hard even for Mr. Richardson and Mr. Murchison to compute the size of their fortunes. But no one disputes that Mr. Richardson is one of the richest men not only in Texas but in the entire nation. Financiers who include the ultimate value of his vast underground oil reserves rate Mr. Richardson a billionaire.

The size of the Murchison fortune is reckoned generally between 200 and 300 million dollars. Mr. Murchison himself says: "I don't know how big it is. I try to have fun out of business, make it a hobby instead of drudgery."

Although Mr. Richardson's total wealth is greater, it is Mr. Murchison who has built up the bigger business empire outside oil. Friends describe him as "a natural-born horse trader." Says Mr. Murchison: "It's a challenge. And if you trade in peanuts, you can trade in watermelons, too. We buy anything that adds up."

The things that have "added up" for Mr. Murchison are too numerous even to classify. He can count 48 big companies, with aggregate assets of about 350 million dollars, in which he and

CLINT W. MURCHISON, SR.
. . . holdings in 48 big companies

his family have important holdings. And that list doesn't include a number of smaller firms.

People's habits studied. Part of the "fun" that Mr. Murchison gets out of his widespread-business activities is the satisfaction of anticipating future trends in the nation's economy and way of life. He likes to study people's changing habits, and then buy into some business that will rise with the change.

For example, Mr. Murchison noted that work weeks kept getting shorter and vacations longer. "Shorter hours mean more fishing," he reasoned. So he bought a fishing-tackle factory in Dowagiac, Mich., and a fishing and hunting magazine. He added a string of motels and drive-in theaters on the related principle that more leisure would mean increased travel and more recreation.

Again, Mr. Murchison figured that the big baby crop following World War II, coupled with the educational benefits offered war veterans, would boom the market for textbooks. So he bought a controlling interest in a New York publishing house, and reaped big profits.

Just now, Mr. Murchison says he is considering investing in "make it yourself" tool companies, to take advantage of another trend in public behavior.

An investment in television stations also is being contemplated by Mr. Murchison. But he says any venture he makes into television will be made purely for business, not for political reasons. He explains: "We have a diversity of political opinion in our own offices. We don't allow political opinion to interfere with business."

Some of Mr. Murchison's biggest holdings are in life insurance companies.

MR. MURCHISON TRAVELS
. . . by private plane

He has taken over the Atlantic Life Insurance Company, of Richmond, Va., and the Lamar Life, of Jackson, Miss. He also has an interest in the Investors Diversified Services, Inc.

Candy, steamships. Other Murchison interests include: six Texas banks, four Texas taxi and bus companies, a Chicago candy company, a steamship company—the American Mail Line—an office-equipment company, a construction-materials firm, a chain of grocery stores in Dallas, a silver foundry in Mexico, and other plants producing such things as washing machines and toys.

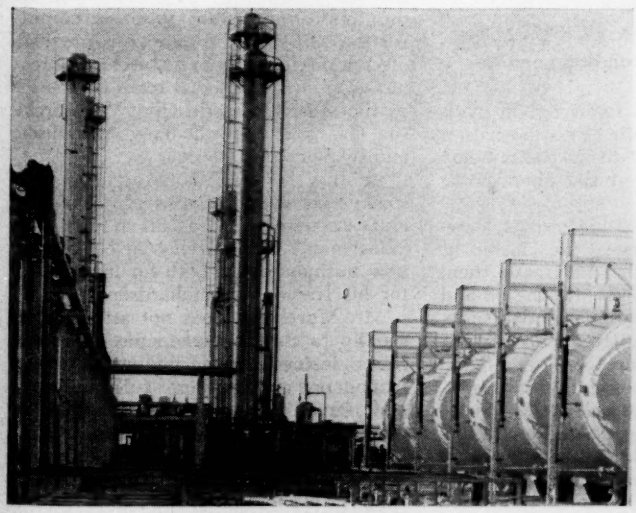
Mr. Murchison views diversity in investment not only as an opportunity to spread his business risks—but also as spreading the opportunity to make profits. The Murchison enterprises, as a whole, are quite profitable.

Mr. Richardson keeps a large part of his wealth in the oil and gas business, where it came from. Many of the outside deals that he gets into are in collaboration with Mr. Murchison. But Mr. Richardson, too, spreads a lot of money around on his own. He owns a small chain of radio and television stations in Texas, a chain of drugstores and a carbon-black plant, is a partner with a brother-in-law in three large cattle ranches, and is part owner of a hotel in Fort Worth. As an investor, rather than principal owner, he buys shares in various corporations from time to time.

It was Mr. Richardson, the older of the two friends, who led the way into oil. He entered the Texas oil fields in 1911. Mr. Murchison joined him in 1919. They made money—until the price break in oil and other commodities in 1921 caught them loaded up with oil leases that nobody wanted. Then, for all practical purposes, they were "broke."

Bouncing back. They didn't stay "broke" long, however. As the oil price recovered, they paid off their debts, resumed trading in leases, and also drilled for oil on their own account. Both built up extensive oil holdings.

Mr. Murchison did so well with his oil drilling that he was able to sell out his holdings in 1925 for about 5 million dollars. At the youthful age of 30, he "retired." But he found idleness intolerable and soon started drilling again. His first strike, after emerging from "retirement," was natural gas, instead of oil, and natural gas was rated so low in those



A MURCHISON GASOLINE PLANT

THE CITY OF DALLAS

—A. Devaney

. . . holdings in Texas were only the beginning

days that many producers "flared it off" just to get rid of it.

To Mr. Murchison, however, natural gas appeared to have an enormous potential market as a fuel. So, instead of cursing his luck and trying elsewhere for oil, he embarked in the gas business, piped his gas into nearby towns and then into neighboring States.

Eventually, Mr. Murchison's interests in natural gas overshadowed his oil holdings. Today, the Murchison companies—the Delhi Oil Company, Canadian Delhi Oil, Ltd., and others—are among the world's largest owners of gas reserves, spread over Texas, New Mexico, Louisiana and Alberta, Canada.

Mr. Richardson, meanwhile, was opening up the famed Keystone oil field in West Texas and building up huge holdings in oil.

It was shortly before World War II that they began spreading their investments in such variety over so large an area.

To banks for cash. A distinctive feature of the Murchison-Richardson operations, both jointly and individually, is their uncommonly heavy use of borrowed capital. Despite their wealth, both customarily owe millions of dollars, chiefly to banks.

The entire 20 million dollars that they put into New York Central stock, for example, was borrowed, much of it from Mr. Young's Alleghany Corporation.

This borrowing is explained by several factors: Mr. Richardson's continuous hunt for new oil requires huge cash outlays. His wealth often is reinvested even faster than it flows in from his producing wells. So he borrows to make up the difference.

Mr. Murchison needs to borrow because he and his family invest heavily in many different companies but take scarcely any money out of those companies. That way they reduce their income taxes. In addition, Mr. Murchison is little interested in collecting dividends. What he wants is capital growth, so he lets his earnings accumulate. As the companies grow, his fortune grows with them. He rarely sells any of his major holdings.

This policy of Mr. Murchison's raises a question in the minds of some financiers about future Murchison financing. Such a policy usually necessitates not only borrowing but also sales of securities to the public. A sale of securities now is being projected for a Murchison-backed plan to build a 300-million-dollar natural-gas pipeline to run 2,200 miles across Canada from Alberta to Montreal.

The question is whether a sufficient number of investors will be content with capital appreciation and very limited dividends. Mr. Murchison and his associates think enough investors will respond.

Not a new trend. Another question sometimes asked is whether the export of capital from Texas to other areas—as done so extensively by Mr. Murchison and Mr. Richardson—represents a new trend in financing, in contrast to the usual flow of outside capital into Texas. The answer given by financiers here is "No." They say Texas still needs a lot of outside capital for development of its burgeoning industries.

Although such close friends, these two Texas millionaires differ sharply in physical characteristics. Mr. Murchison is short, a bit on the rotund side, afire with energy as well as ideas, a convivial, gregarious sort of man. Mr. Richardson is tall and heavy set, not too talkative.

—Tommy Weber

MESSRS. YOUNG & RICHARDSON
. . . a profitable railroad venture

Mr. Murchison is a family man, with two grown sons, while Mr. Richardson is a bachelor, content to make his home in a two-room suite at the Fort Worth Club.

In just about every other respect, however, the two men reveal the kinship of interests and tastes that has made them life-long associates. Both love the oil and gas fields, cattle, and the secluded hideaways to which they frequently repair together for recreation.

Most favored of these hideaways is St. Joseph Island—Texans call it "St. Joe"—in the Gulf of Mexico. Mr. Richardson, who owns it, maintains there a cattle ranch and a hunting paradise. Telephones are banned. Mr. Richardson entertained the late President Franklin D. Roosevelt there in 1937, and the later-to-be President Dwight Eisenhower in 1949.

Royalty and McCarthy. Another retreat is a 75,000-acre ranch and shooting preserve which Mr. Murchison owns in the Sierra Madre of Mexico. This, too, is used mostly for relaxing, but on occasion for entertaining. Guests have included the Duke and Duchess of Windsor and Senator Joseph R. McCarthy (Rep.) of Wisconsin.

Both Mr. Richardson and Mr. Murchison like to dash about in their privately owned airplanes, and to go to horse races. Jointly, they own California's Del Mar race track, the Detroit Race Course, and are negotiating for stock in other tracks. They say the income from their race-track holdings is to be devoted to the support of boys' clubs, combating juvenile delinquency.

Both men, too, are fairly active in politics, but in an unobtrusive manner. Both supported Mr. Eisenhower for President. The only difference was that Mr. Murchison wanted him to run as a Democrat, and Mr. Richardson didn't care which ticket he ran on. Mr. Richardson went to Paris early in 1952 to urge Mr. Eisenhower, then NATO military commander, to run for President.

Since Mr. Eisenhower's election, Mr. Richardson has dined often at the White House. But he doesn't talk about his conversations with the President.

In contrast to many wealthy Texans, Mr. Murchison believes in foreign aid and low tariffs. He wants this nation to lead in making other countries more prosperous, feels that the U. S. cannot afford to remain "an island of plenty in a sea of starvation and want."

A family business. While having "fun" with his business, Mr. Murchison has carefully provided for his family and for a continuity of management for the family's rambling business empire. All the Murchison transactions are handled through the firm of Murchison Bros., in Dallas, by a financial team that is led by the Murchison sons, Clint W. Murchison, Jr., and John Dabney Murchison, and by James H. Clark.

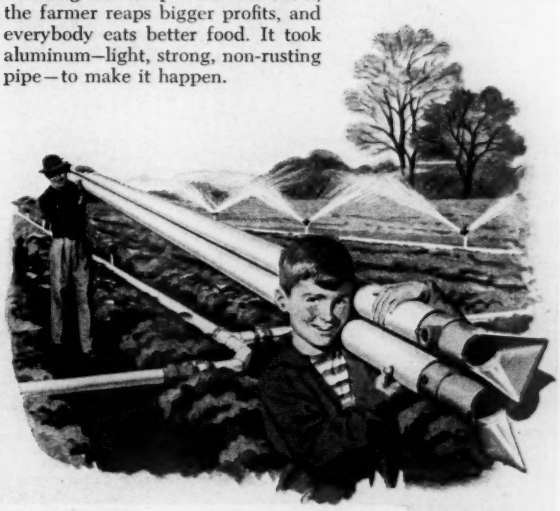
In this setup, Mr. Murchison acts somewhat like a chairman of the board—and, simultaneously, as an indefatigable "idea man." He is tireless in cooking up new business deals, both for himself and for his friend Mr. Richardson.

Mr. Murchison does not attempt personally to run the companies he owns, relies instead upon finding top-flight managers, giving them full authority, and rewarding them with shares in the ownership.

Retirement now holds no more appeal for Mr. Murchison than it did when he found it intolerable at the age of 30. Mr. Richardson rejects the idea of retirement with equal vigor. He says: "I'll still be trading when they bury me."

It takes aluminum. For a meal-maker, one of the "good things" is aluminum foil. She covers foods and keeps them fresh, wraps greens and keeps them crisp. She lines pans with it, cooks things better, with no scouring afterward.

It takes aluminum. Carrying an irrigation system from field to field, watering each crop when it needs it, the farmer reaps bigger profits, and everybody eats better food. It took aluminum—light, strong, non-rusting pipe—to make it happen.



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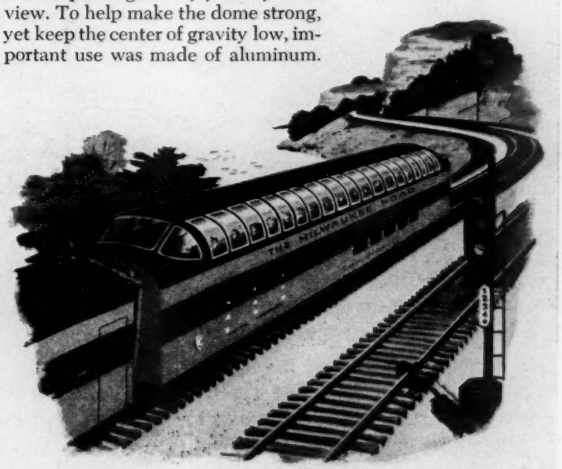
It takes aluminum. These "Overhead Doors" are safe and weatherproof when closed, out of the way when opened, and easy to handle. They are built of sturdy, lightweight, non-corrosive aluminum—answer to so many modern construction needs.

It takes aluminum. The "Super-Dome" car was built by Pullman-Standard for the Milwaukee Road. All 68 passengers enjoy a sky-wide view. To help make the dome strong, yet keep the center of gravity low, important use was made of aluminum.



"It takes aluminum!" . . . For its strength, light weight, easy workability and clean, enduring beauty, more of today's new products are formed of aluminum than any other metal.

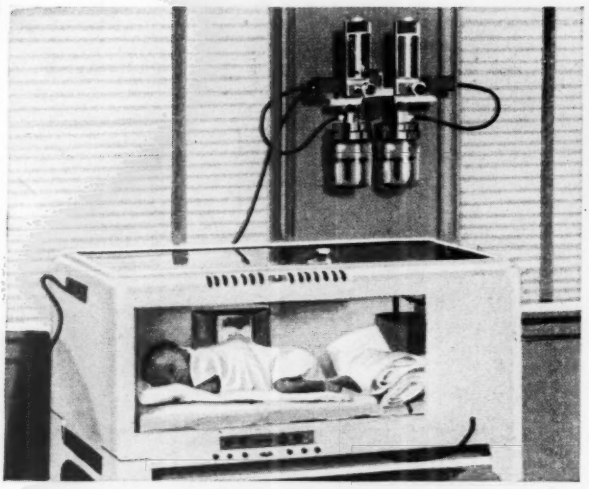
U. S. industries will need more and more aluminum, and to smelt it will require huge amounts of new electric power. Neighboring Canada has it—vast waterpower reserves not competed for by other industries. And today, to meet the swiftly growing aluminum needs of the years ahead, Canada is further expanding the capacity of its power and smelting plants.

Aluminum from Canada benefits the U. S. economy by assuring factories the raw material they need, and thus helping to insure jobs for over a million U. S. metal workers . . . **Aluminium Limited, Montreal:** one of North America's great aluminum producing enterprises. (In New York: Aluminium Limited, Inc., 620 Fifth Ave.)

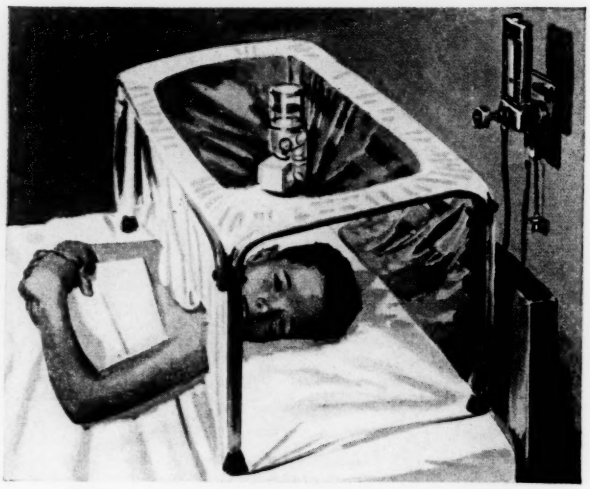
ALCAN

Aluminum *from* Canada

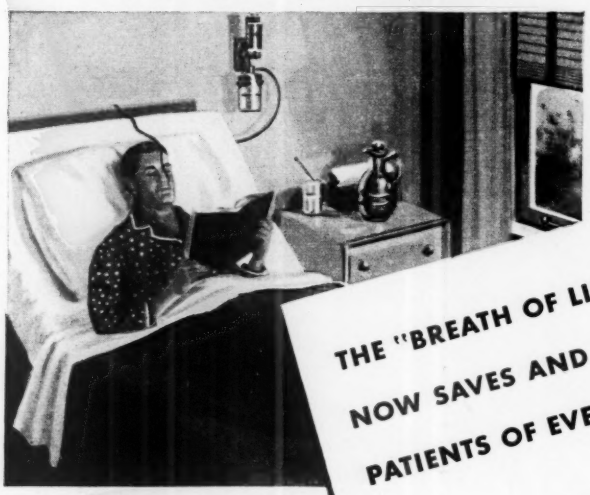
FROM INFANCY



THROUGH CHILDHOOD



AND THE ADULT YEARS



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THE "BREATH OF LIFE" NOW SAVES AND COMFORTS PATIENTS OF EVERY AGE

Oxygen, the breath of life, has long been the great lifesaver in moments of emergency. It is today. But it also is *much* more. Due to the great strides medical science has made in recent years in inhalation therapy, oxygen is now used widely and regularly by hospitals to speed recovery and relieve pain and discomfort.

Its use is now routine in the treatment of a vast number of illnesses—from critical diseases, such as certain types of polio, to less tragic but nonetheless serious conditions like chronic hiccough. In fact oxygen is so widely used that a growing number of hospitals now pipe it to rooms like water. For example, there are nearly 1,000 U.S. hospitals that have oxygen piping systems using NCG equipment.

NCG also supplies hospitals with high-purity oxygen and other medical gases. And, working in cooperation with medical authorities, NCG has developed improved apparatus for the more effective use of new oxygen therapy techniques.

Continuing research is being conducted by NCG to keep pace with future advances in this field by the medical profession.

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CAN INFORMERS BE TRUSTED?

How Agents Planted by FBI Convicted Red Leaders

The case of Harvey M. Matusow has brought into question the whole system of using ex-Communists as Government informers. People ask: Can you trust any of them?

Officials, however, say that Mr. Matusow is the exception, rather than the rule. The Government has planted many informants inside the Communist Party. These tipsters are credited with keeping the FBI posted on what the Communists are up to and with helping to nip many a subversive plot.

Exploits such as the ones in this article show why authorities believe it still pays to plant informers among the Communists.

The Government has now learned what difficulties it can get into by the use of spies inside the Communist Party. Sometimes their testimony goes sour, like that of Harvey M. Matusow, who says he told a lot of lies in his testimony about Communists. But sometimes it has been of great value.

Why does the Government need the help of such people? Just what has the Government learned from the ex-Communist informers?

Law-enforcement officials, revealing many hitherto undisclosed details of the undercover agents' work, say the informers have enabled the Federal Bureau of Investigation to keep a constant watch on all Communist leaders and to know about some of the party's most secret activities at the very time they were taking place.

The FBI will not tell about its agents' activities. But other reliable sources relate incidents such as the ones in the following paragraphs.

An FBI trap. In the spring of 1945 the American Communists were plotting something important. The FBI could smell it in the wind.

An informant within the party furnished the first clue when he reported that a high-level meeting of all the top leaders of the party would be held the next day in New York. He didn't know where. Even the leaders who were to attend were not told. They were instructed to call a certain person when they reached the city to learn the location.

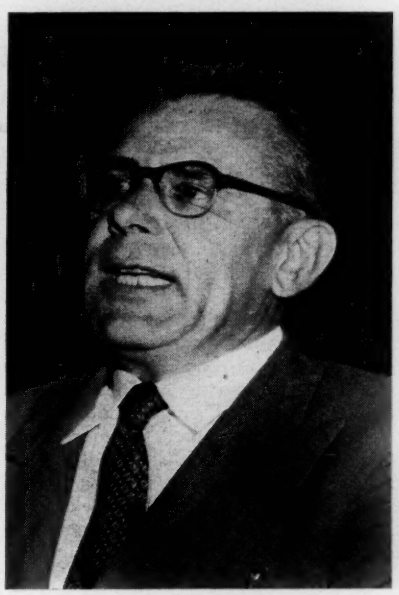
Another informant gave the FBI the tip that unraveled the mystery. A certain Communist leader had rented a recording studio for the following day.

FBI agents swiftly deployed all over New York City, visiting all recording studios in town. When they found the one the Communist had rented, they rented the adjoining studio. Then they began finding out which FBI agents could play musical instruments.

Next morning a band of musicians

(Continued on page 48)

MATTHEW CVETIC
. . . watched Mr. Hardin



JOHN LAUTNER
. . . "purged" by the Communists

—United Press Photo

R. J. HARDIN
. . . watched Mr. Cvetic

(Advertisement)

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Whatever you need to know about a material—whether it's of local origin or comes from New Zealand, whether it's still in the earth or in a semi-processed state, New York State's Industrial Location Service will give you the answers fast. And there's no cost or obligation.

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Ronald B. Peterson

Director, Industrial Location Service

gathered in the studio the FBI men had rented—every one of them an FBI agent. Some of them played for hours, pretending to be recording the music. What they really recorded was the entire meeting in the next room.

Major Red maneuver. That meeting turned out to be a milestone in Communist history. At it the party learned for the first time that Earl Browder was to be junked as Chairman and that the Communist Political Association was to be dissolved. The American Reds were to be known once again as the Communist Party. They had taken the name of "Political Association" during the war to win friends for the Russians. Browder himself was at the meeting. So was the new Red boss, William Z. Foster.

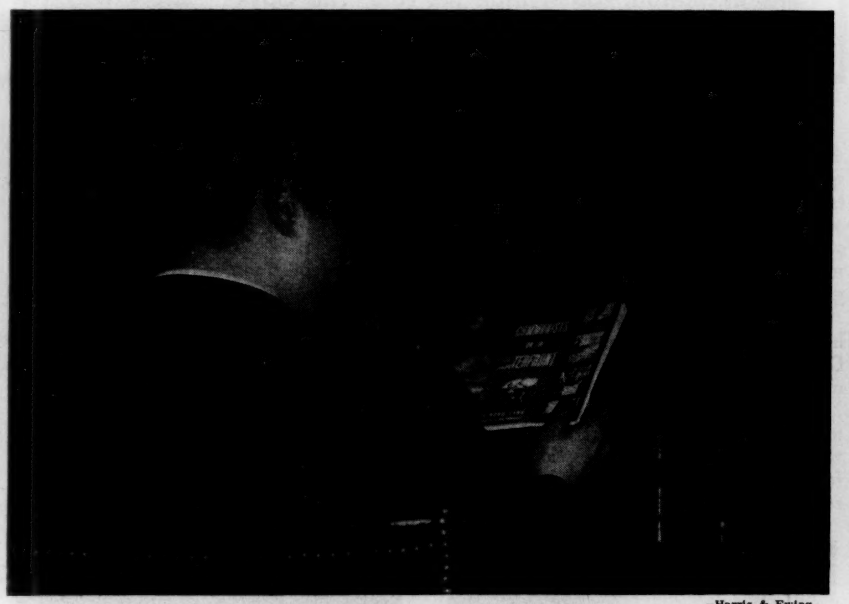
Two years later the FBI again received from its informants advance notice of an important Communist maneuver. The Reds were getting jittery. They feared the party would be outlawed momentarily, with mass arrests following. To be prepared for this, they planned a nation-wide "fire drill," to test their technique of going underground.

The FBI knew more than most Communists did about what was to happen. All over the nation its agents watched while the "secret" operation took place. Some of the devices used by the Communists are described in what follows.

Code words: Aunt Mary. A courier arrived in a Midwestern city. At the airport he telephoned the key Communists in town. One of them who received the call while at work went to his boss and told him his Aunt Mary was ill. He said he would have to leave work immediately to go to her, and he asked the boss to phone his wife and explain what happened. When his wife heard the message, she took the children and headed for a previously agreed meeting place with her husband. Aunt Mary had been the code words for "going underground."

The Communists in 1948 became erratic as they grew more and more aware that patriotic Americans were present at their meetings, reporting their activities, pretending to help them in their conspiracy to overthrow the Government.

They put Miss Angela Calomiris on trial for disloyalty to the party. She was the daughter of Greek immigrants, who died when she was still a child. She had worked her way through school, including two years of college. She had joined the party in 1942 and had become a highly trusted member. In 1948 she was financial secretary of a New York unit.



—Harris & Ewing

HARVEY MATUSOW TESTIFIES
. . . and says he lied

She was tried before the top security unit of the party, the national review commission. The chairman was one of the most important men in the party, John Lautner.

The commission found no reason to believe Miss Calomiris disloyal to the party and acquitted her.

The top echelons of the party were outraged, because they thought she had been disloyal to them. Lautner was given a mysterious order to go to Cleveland. When he arrived a party functionary met

him and drove him to a house just outside the city. He was taken to the basement and put through an ordeal by five men.

Threats and indignities. Lautner was made to strip off all his clothes—apparently to throw him off balance psychologically. He was accused of being an enemy agent and ordered to confess. One man held a pistol to his head. Another wielded a rubber hose threateningly, beating a wall with it as if warming up to beat Lautner. Meanwhile, Lautner's wrists were taped to a box, which he was told was a lie detector.

Various other indignities were inflicted on him. At length, under the pressure, he signed a statement they handed him,

—International

MISS ANGELA CALOMIRIS
. . . "planted" by the FBI

saying he had been given a fair and impartial trial and that he was an enemy agent.

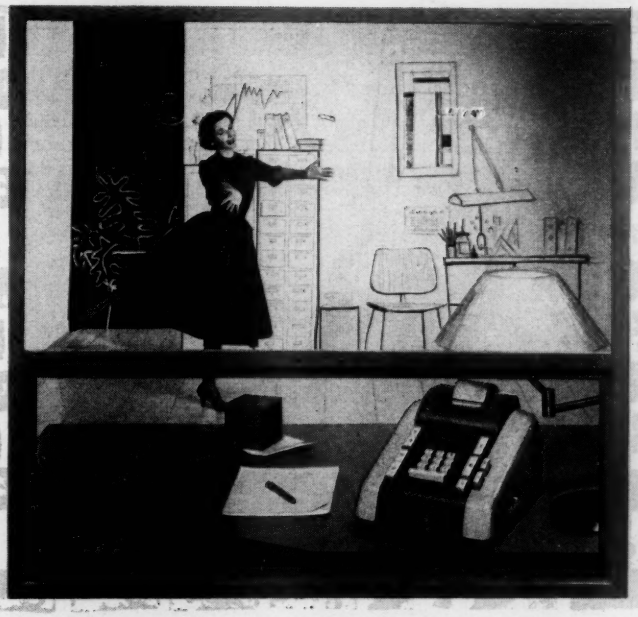
They drove him away from the house and literally threw him out of the car. A few days later the *Daily Worker*, the Communist newspaper, announced he had been expelled from the party.

The truth was that Lautner had been entirely loyal to the Communist Party until that day.

As soon as the FBI learned of his expulsion, however, they looked him up and won him over to their side. In the next year he told them all he knew about the Communist conspiracy. And in 1949 he was one of the witnesses for the Government at the trial of the eleven Communist leaders in New York.

Miss Calomiris also was a Govern-

(Continued on page 50)



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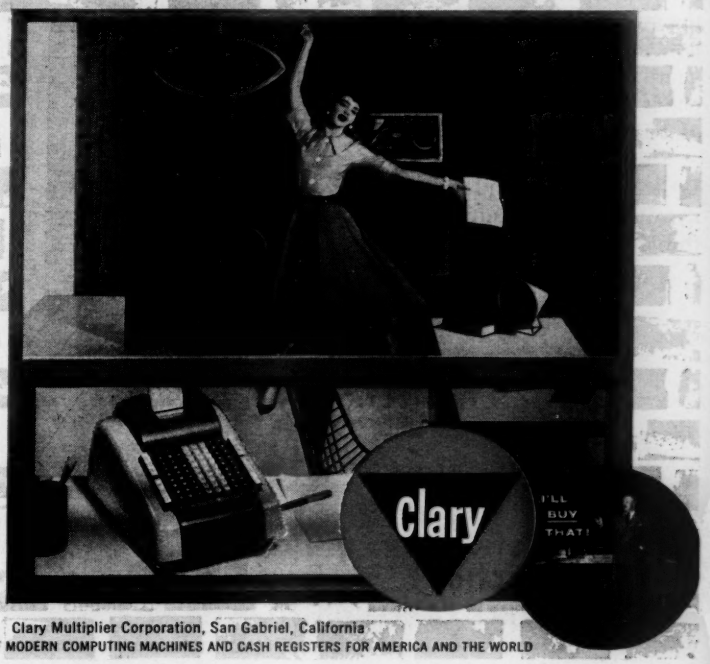

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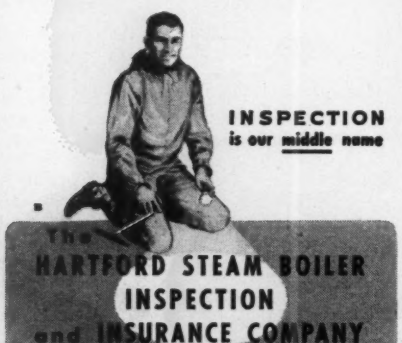

ment witness at that trial. She had joined the party to help the FBI and had been an informant for the Bureau throughout her years as a party member. But John Lautner never knew this until he saw her at the trial.

No big payoff. Most of the informants are persons who have become disillusioned with Communism. They and FBI agents in one way or another made contacts with one another, and the FBI men enlisted their aid, primarily by appealing to their sense of patriotism. Some of them are unpaid. None receives a big salary.

Miss Calomiris was first reached by the FBI when the Bureau learned that she was friendly with some Communists. An FBI man urged her to accept their invitation to join the party, as an agent of the Bureau. An official who knows about her case said she despised the party from the start and agreed to work within it only through a deep sense of duty to the country which her parents had adopted.

The FBI enlisted some of its agents by old-fashioned conversion—showing them the error of their ways as Communists.

A well-known writer in Washington who was secretly a Communist received a call one afternoon from an FBI official, asking him to come to his office that night. The writer arrived at 7:30 p.m., stayed until 11 p.m. After hours of earnest argument and persuasion, and many cups of coffee, the writer turned against Communism and agreed to tell the FBI all he knew about the party. He worked faithfully as a consultant for the FBI for years, never accepting pay.

The FBI constantly watches the party members, to spot any who seem to be wavering in their belief.

Volunteer informants. Occasionally Communists come to the FBI with offers to become informers, and the Bureau is always glad to have them.

All of the informants are continually tested and checked. Their reports are compared with known facts and with the reports of other informants. One informant usually doesn't know which other Communists might also be informants. R. J. Hardin, for instance, reported for years on the activities of a Pennsylvania Communist organizer, Matthew Cvetic. And Cvetic all the time was sending in reports on Hardin. Neither knew the other was an informant until they came face to face at a hearing of the Subversive Activities Control Board in Washington.

Some informants have been dropped by the FBI when their data were found to be unreliable, either through poor reporting or deliberate falsehood.

What the informers contribute is fragments of information, much of it revealing little by itself but fitting into the total

THE WAY COMMUNISTS ARE TOLD TO PUNISH INFORMERS

"Organize systematic agitation among the workers where the spy was discovered.

"Mobilize the children and women in the block in the part of town where the stool pigeon lives to make his life miserable; let them picket the store where his wife purchases groceries and other necessities; let the children in the street shout after him or after any member of his family that they are spies, rats, stool pigeons.

"Chalk his home with the slogan: 'So-and-So who lives here is a spy.' Let the children boycott his children or child; organize the children not to talk to his children, etc."

Source: The principal handbook of the party in the U.S., "The Communist Party, a Manual on Organization," by J. Peters.

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puzzle along with thousands of other pieces.

One informant reports, for example, that a party leader is going to leave New York next week. Another informant later reports that a West Coast Communist leader has suddenly turned up in Detroit. An informant in St. Louis reports that the local Communist chairman has dropped out of sight. Then the FBI goes into action, pretty certain that a big national meeting of the party leaders is about to take place in Detroit.

Ban on talk, letters. The Reds carry on their conspiratorial activities with such stealth that members often know only what is going on in their own club of three or four persons. The party keeps no written records, has no membership cards. Members are told not to use the telephone, not to write letters or even talk about party activities in public places.

Government men say it would be almost impossible to watch the Red revolutionaries if persons working from within did not aid the federal representatives. As a result of the work of the informers, however, the FBI has learned:

- Who the principal Communists are and what they are doing.
- What the party's immediate plans and ultimate intentions are.
- What the party members are doing underground—changing names, moving from city to city, infiltrating factories and plants.
- Which Government employes or job applicants are Communists.

One of the greatest contributions of the informers was the testimony many of them gave at the series of trials under the Smith Act, which makes it a crime to seek the overthrow of the Government by violence. Eighty-two of the national and regional leaders of the party were convicted, and only three of them were acquitted. Government lawyers believe this result would not have been possible without the informers.

Story of conspiracy. From firsthand knowledge, the informers were able to tell the courts just what the conspiracy was about, and to link the defendants with it. Many different judges and juries were persuaded by their testimony, for the trials were held in a number of cities.

The defendants and their lawyers were shocked and unnerved when they were confronted in court by men and women whom they had believed to be fervent fellow Communists until the moment the latter took the stand.

The Government lost many of its best underground agents when they had to unmask themselves at the Smith Act trials. But there are still plenty left—and more entering this counterintelligence service of the nation every day.

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and found the economic climate right for the operation of a profitable General Electric plant"

Karsh, Ottawa

RALPH J. CORDINER
President, General Electric Company

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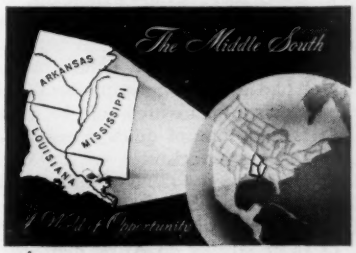

It pays to look at the **Middle South**

Interviews with GENERALS OF THE WEST

THEY KNEW ZHUKOV WHEN—

Mystery man in the new Soviet setup is Marshal Georgi Zhukov, Russia's wartime Army idol, now Minister of Defense.

Today Marshal Zhukov talks tough, but he once was very friendly to President Eisenhower. The questions arise: Will Marshal Zhukov now restrain his Communist bosses? Could he some day crack the Red dictatorship?

In what follows you get size-ups of Marshal Zhukov by U. S. generals and top military men in Europe and Asia who dealt with him in Russia and Germany in the days when the Soviet Union and the West were still getting along pretty well.

You also can read Mr. Eisenhower's own account of his last meeting with the Soviet Marshal, of the impressions he formed of the Zhukov character and convictions.

"A MAN WHO WOULD BE GREAT IN ANY LANGUAGE"

An Interview With Gen. Walter Bedell Smith

Gen. Walter Bedell Smith is an authority on Russians, both as soldiers and as conspirators. He was General Eisenhower's chief of staff in World War II, and U. S. Ambassador to Soviet Russia from 1946 to 1949.

For four years, first as Director of the Central Intelligence Agency and then as Under Secretary of State, General Smith had as his big problems Communist aggression and subversion.

General Smith retired from Government service last October. Now 59, he is vice chairman of the board of the American Machine & Foundry Company.

At WASHINGTON

Q General Smith, did you know Zhukov in Berlin or when you were Ambassador to Moscow?

A In Berlin.

Q Did you see him at all in Moscow?

A Once, at a distance.

Q Do you think it's important that he's been chosen to head the defense setup—significant, in other words?

A I think it has a certain significance. I don't know how important it is.

Q What sort of fellow is he?

A I had a very high opinion of him. I described him at one time as a man who would be great in any language.

Q Is he a man of quick decisions—that sort of thing?

A Yes, very decisive.

Q He seemed to have authority wherever you ran into contact with him?

A He did, indeed.

Q Is he strictly an Army man, or is he also a politician?

A He is basically an Army man, although, of course, like all senior Army officers, he is a member of the party and would have to be, and certainly owes some of his preferment to that fact. It was rumored that he had lost favor by opposing the reimposition of political control in the Army after the war. How correct that rumor is, one does not know. Obviously, Stalin did not like him. Stalin spoke rather disparagingly of Zhukov on one occasion to me.

Q What did he say about him?

A I was talking with Stalin about their move on Berlin, and implied that he had rather broken faith because he had told us that they would make their main effort in a southwesterly direction to join up with us and to cut the Germans off from their so-called "national redoubt." But, actually, I had the impression they had diverted more troops toward Berlin than the situation warranted. He denied that, alleging that he had to use [Marshal Ivan S.] Koniev's army because Zhukov had not made the proper tactical dispositions and had not operated aggressively enough around Berlin.

Q He cast aspersions on Zhukov's military ability?

A Yes.

Q Did you agree with that?

A I did not. And he wanted to break up the conversation and take me down to the war room and show me the maps.

Q But you didn't go?

A I didn't go.

Q Did you notice, when you were around him, whether Marshal Zhukov had a political man always with him?

A Yes, there was usually a political man. As a matter of fact, when he made his first official visit to us, I believe Vishinsky [the late Andrei Y. Vishinsky, then Vice Minister of Foreign Affairs] came along with him. And when he was making his oration to the troops—the American and British

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Russia's Defense Chief Called Smart, Friendly, Aware Of Outside World . . . But Still a Disciplined Communist

troops that were his guard of honor—a political officer stood behind him and obviously was prompting him to a certain extent.

Q Where was that, General?

A Frankfurt.

Q At the end of the war?

A Yes.

Q There was a story that Bulganin [Marshal Nikolai Bulganin, new Premier] was assigned to keep an eye on him on the White Russian front. Did you know anything about that? He was supposed to be his political commissar—

A No, I did not. But, of course, as you know, they had political commissars until the latter part of the war, and then they took them away.

Q And they do not have them now?

A Yes, they do. They re-established them. It was alleged, as I say, that it was opposition to that reimposition of political officers that caused Zhukov officially to fall out of favor. I think they combined business with pleasure by sending him down to Odessa to scare the Turks and to discipline him a little, too.

—Sovfoto

MARSHAL GEORGI ZHUKOV

Q He didn't stay down there long, though, did he?

A Oh, yes. He stayed down there quite a while. He was down there most of the time I was in Moscow.

Q He was out of favor, then, for a long time?

A Yes, as far as one can tell.

Q How would you date his comeback? When do you think he began his comeback?

A He made his comeback, apparently, when he was made Deputy Minister of Defense, after Stalin died.

Q In other words, Stalin had to be removed before he could make a comeback?

A Yes, it appears so.

Q What about the Army in general? We have people telling us that the Army is probably more representative of the people than any other institution in Russia. Would that be a fair statement?

A I take with several grains of salt so many of the optimistic points of view with regard to the Army.

Q You don't think it's time, then, to draw a distinction between the Army and the party?

A No, I do not. I think that the party has to consider the Army a good deal, and, of course, the party wanted the support of the Army as against the MVD [secret police]. But the idea that now things have changed, that the Army will be a really powerful influence for peace—I don't see how one can draw those conclusions because it is our friend Khrushchev [Nikita S. Khrushchev, First Secretary of the Central Committee] who has changed the rather conciliatory line which Malenkov [Georgi Malenkov, Premier until he was deposed Feb. 8, 1955] took with regard to more consumer goods, more for the people, less heavy industry, and so forth—

Q In that connection, one thing that has been suggested is that since Khrushchev was bringing in such an unpopular regime, he had to have a pretty popular fellow with him at the top, and that was one of the reasons he brought in Zhukov. Does that make any sense to you?

A It's possible. Zhukov was certainly popular with his own Army.

Q Did he remain so, do you think, after the war?

A It's very difficult to assess a thing like that, but I would assume so. Successful generals are always popular with their men and with the service.

Q What about the character of the Army itself and its construction?

A The thing I know is that, since the war, they've concentrated on improving their services of supply and logistics.

Q What would that mean?

A It certainly means that they realize that one of their weaknesses during the last war was their supply setup, and, of course, that's what they've kept Von Paulus [Marshal Friedrich von Paulus, German commander captured at Stalingrad] and others lecturing at their military academy about. They've had German officers who have helped revamp their supply system. Otherwise, I don't know. It certainly would not militate against an improvement of offensive technique.

Q From what you say, you were pretty much impressed by Zhukov's personality—

A I was, yes.

Q Was he an affable man, was he kindly or friendly, did he smile?

A To us he was. He was a man of dignity and character, and in those days he seemed to express himself with more freedom and frankness than most.

Q Did Zhukov like to take a drink now and then?

A Oh, yes. He was able to take a drink, yes, but I never saw them overtake him.

Q What about comradeship in military terms—would he sit down and laugh and crack jokes with people?

A On the occasions when I was with him—and these were usually at dinners—he was dignified but with a sense of humor, and interesting and interested.

(Continued on next page)

Q What about his awareness of American strength—do you think he knows what the American military potentials are?

A Yes, I do.

Q And he is aware of the dangers in it?

A Yes, I think so.

Q Is he the sort of fellow who you think might be interested in continued postwar co-operation?

A There was a time when he expressed himself very strongly as being interested.

Q What did he say?

A Well, he said on several occasions that the future and the peace of the world depended on co-operation and understanding between the Soviet Union and the United States.

Q Did that sound like propaganda, or did he sound as though he meant it?

A At the time it sounded as though he meant it.

Q Did he see much of General Eisenhower when he was over there?

A Well, it depends upon what you mean by "much." They entertained each other on several occasions—I would say four or five. When General Eisenhower went to Moscow, Marshal Zhukov went with him, flew on the plane with him, more or less was his official or semiofficial host.

Q Didn't he entertain, at least did not reject, an invitation to come to the United States?

A At one time he actually had tentatively accepted it and then had subsequently to decline.

Q Is there any indication as to what happened there?

A I think he was told not to go.

Q Did he fall into disfavor after that?

A I believe it was after. Of course, one doesn't know when the power that be started to take a dim view of him any more than you know when they start to take a dim view of anyone.

Q He never expressed himself on the subject of politics, no doubt?

A Not at all—no, indeed.

Q In his position, does it look as if he would be able to do anything at the moment, to make any statements, to throw any weight about?

A I should doubt it very much. Wait a minute! I forgot one thing. I said that I had seen him once at a distance in Moscow. When I arrived in Moscow, he was there and still, presumably, in favor. And I sought an interview with him, said I wanted to call on him, which I did. I was not allowed, however, to call on him at his office in the defense department. A meeting was set up, but it was at the foreign-affairs department, a kind of intermediate ground where he came and had with him two or three officers, particularly the general who was responsible for contacts with foreigners, and several others. It wasn't the same sort of meeting that we had during the war at all. Shortly thereafter he was sent to Odessa.

Q He wasn't as free when he talked to you in Moscow?

A No, no.

Q Was he formal and cold?

A Well, he was much more restrained. For instance, I said that General Eisenhower had sent some silk stockings for Mme. Zhukov, and I asked him where I could send them to his wife, and he said send them to his aide. He wouldn't give me her address.

Q He kept it strictly on a formal basis, in other words?

A Yes.

"LESS NARROW-MINDED IN WORLD AFFAIRS"

An Interview With Gen. Georges Catroux

Gen. Georges-Albert-Julien Catroux, 76, French career officer and colonial administrator, was France's Ambassador to Soviet Russia from 1945 to 1948. As such, he had a grandstand seat for the postwar parade of Communist expansion.

At PARIS

Q How did you first meet Marshal Zhukov, General Catroux?

A I went to Berlin in August of 1945 to award the Grand Cross of the Legion of Honor to Marshal Zhukov on behalf of the French Government. I spent 48 hours there and had the pleasure of meeting him several times during those two days.

Later, in Moscow, I invited him to lunch one day, and he accepted. But subsequently I received a telephone message that he was sick and could not come. When I tried to find out if he was better, I could not reach him. The vague diplomatic replies I received led me to believe that he had been sent away. Very shortly afterward I learned that he had been sent to Odessa in disgrace.

Q What did you think of him?

A I found Marshal Zhukov a man with a fine mind. He is a great military chief and has a much less narrow-minded viewpoint in world affairs than most of his fellow citizens. He also has a suppleness of mind, and I believe this is what displeased Stalin, who became jealous of him.

Q How did he stand on Communism?

A It would be an error to believe that Marshal Zhukov is not faithful to the Communist doctrine or that he is not a loyal member of the Communist Central Committee. But he can see the other person's point of view.

Q Would you say he was ambitious?

A I do not think that Zhukov's new appointment will transform his way of seeing things and I do not expect to see any Bonapartist development in Russia. [Napoleon Bonaparte, a military commander, became Emperor of France and master of most of Europe.] Zhukov does not seek power for himself. Anyway, he is still under the authority of his chief, [Premier Nikolai] Bulganin, who is a political commander, an old comrade of Stalin's. Although I do not believe Zhukov is a candidate for dictator, if he were he would find Bulganin in his way.

Q What is Zhukov like, personally?

A Physically, Zhukov is a tall man, solidly built, with an open face and a sympathetic personality. He is very military in his carriage and deportment, but, nevertheless, he has an easy cordiality, without effusion. He speaks no French or English, and we always talked with the help of an interpreter.

Zhukov comes from a simple family, and his wife also is a simple person without pretensions or the elegance of Mrs. Vishinsky or Mrs. Molotov [the late Andrei Vishinsky was Soviet Representative to the United Nations; V. M. Molotov is Foreign Minister]. He is an excellent host, and we drank many toasts together at his receptions, where the drinks flowed all evening, progressing from vodka to cognac to Caucasian champagne.

All the Russians drank a good deal at these receptions, and some of them became more friendly after the toasts, but Zhukov always is master of his words. He always exhibits a human warmth that makes people like him at first sight. I found that he was liked and respected by his staff, not only as a military chief, but as a man.

Q Could you compare Zhukov and Stalin?

A I was struck by the difference between the way Zhukov and Stalin expressed themselves about the role of France and the aid given to Russia by the Allies. When I was Ambassador to Moscow, I mentioned in one talk with Stalin the sacrifices by France that were contributing to the common victory, the war destruction in France and the just claims of France in the postwar settlement.

Stalin's only answer was: "But how many divisions do you have? Eight instead of 80?"

That sums up Stalin's personality. Zhukov, on the other hand, said to me: "Concerning France, the quality of the contribution is more important than the quantity, and is of great value."

"A FINE SOLDIER AND A VERY FRIENDLY PERSON"

An Interview With Field Marshal Montgomery

Field Marshal Viscount Montgomery is Britain's greatest living military hero. He gave the British their first big victory of World War II, over the Germans in the Egyptian desert. He led the British armies in the Allied conquest of Germany, dealt with Marshal Zhukov as a coconqueror.

In 1951, Field Marshal Montgomery became Deputy Commander of North Atlantic Treaty forces, then under General Eisenhower, and he still holds that post at the age of 67.

At MUERREN, SWITZERLAND

Q Could you tell us about your experiences with Marshal Zhukov, how you feel about him, Lord Montgomery?

A I first met Marshal Zhukov in Berlin in 1945, soon after the end of the German war. As Commander in Chief of the British zone I had flown up to Berlin for a meeting with the other zone commanders, Marshal Zhukov, General Eisenhower and the French General [Jean] de Lattre de Tassigny. Later on, the Control Commission for Germany was formed, and we met frequently at the meetings. He dined with me at my house and I dined with him several times.

I got to like him very much. He was friendly and easy to get on with. When it came to a clash of opinion in the Control Council, which happened frequently, he was very firm, and it was difficult to get him to agree to any compromise solutions to our problems.

I have no doubt he was under strict orders from his Government, as we all were. But when the meetings were over he was always most friendly. He was an extremely good host, and had a keen sense of humor. He used to pull my leg because I did not drink his vodka or smoke.

(Continued on next page)

What Zhukov Said About Ike

Following are the texts of two toasts offered by Marshal Georgi Zhukov to General of the Army Dwight D. Eisenhower in Germany in 1945:

[Berlin, May 8, 1945]

"General of the Army Eisenhower has given the most magnificent performance of any general of the current time. His great strides in the West helped me in the East. I raise my glass to the greatest military strategist of our time—General Eisenhower."

[Frankfurt am Main, June 10, 1945]

"I want to raise a glass to General of the Army Eisenhower, due to whose abilities and talents the Allied armies attained their great and brilliant successes.

"I, as a military man, as a soldier, watched with amazement the brilliant successes of General Eisenhower. They were brilliantly planned, thought out and, most of all, brilliantly carried out.

"We watched massed uses of aviation, use of massed artillery and tanks, and we watched naval operations on a large scale, the infantry—and all this had to be united by one man, organized on the front lines and organized in depth as well—the blows of the enemy were pretty deep. One had to anticipate everything, calculate well and guarantee everything.

"In the operations which were carried out, the genius and talent of the American General, son of the American people, showed itself. Our Soviet officers and generals are watching and studying all the operations that General Eisenhower has conducted.

"I, personally, and the forces under my command have the deepest respect for General Eisenhower, and I am expressing the hope that, in the future work of the four Allied Commanders in the Control Council, that we will be just as unified in our future work. If we had good co-operation in time of war, I am sure that the same co-operation that was shown before will show itself in peace.

"I raise my glass to General Eisenhower—to his health, his success and his future work."

In January of 1947 I went to Moscow at the invitation of Marshal Stalin. I spent one week there and met all the leading political and military personalities, including Marshal Bulganin. I asked after Zhukov and what he was doing. I was told that he was writing the postwar military textbooks and that I would not be able to see him as he was down in the Crimea. I said I was sorry because he was a friend of mine.

I always considered Marshal Zhukov to be a fine soldier and a very friendly person. I would like to meet him again and have a talk about the past, and also discuss the present and future, if he were willing to do so.

"FIRM, INTELLIGENT, A GOOD NEGOTIATOR"

An Interview With Lieut. Gen. Floyd L. Parks

Lieut. Gen. Floyd L. Parks was one of the first American officers to meet and deal with the Russian military after U. S. troops entered Berlin in 1945. At the head of the First U. S. Airborne Army, he commanded the United States sector and the military government of Berlin for several months. General Parks now commands the Second U. S. Army.

At FORT MEADE, Md.

Q When did you know Marshal Zhukov, General Parks?

A I commanded the first American troops that went into Berlin, and I made the logistical arrangements, for communications and so on, for the Potsdam Conference in June of 1945. Zhukov was the Russian senior there, and I negotiated with him.

Q What impression did you get of him?

A Well, he was very firm and intelligent, a soldierly individual. He was a good negotiator at the council table. I had the best of relations with him. Of course, I left Berlin in October of 1945, and up to that time things had still been very friendly.

Q He said nice things about the U. S. and General Eisenhower?

A Oh, yes. He was very cordial to us all. At the time General Ike made his trip to Moscow, Zhukov was looking forward with evident pleasure to a trip to the U. S., on General Eisenhower's invitation. He appeared to be delighted. Of course, it didn't materialize. I don't know what happened.

Q How did Zhukov operate?

A We were all military individuals working in a military way. He and [Gen. Vassily D.] Sokolovsky, his chief of staff, made an excellent team. They were well polished for Russians.

Q Did Zhukov seem to have much authority of his own?

A They all had to consult Moscow on almost everything. For example, we wanted to make arrangements for the U. S. to come into Potsdam, and Marshal Zhukov said why didn't we wait for the British and French and do it all together. We explained that the French weren't to be at Potsdam. He didn't know that and had to wait to find out about it from Moscow.

Q Was Zhukov watched at the conferences?

A Yes, there was always what we called "the man in the light suit." These fellows were at all the conferences. They were representatives of the Politburo, they weren't military men. They took no part in the discussions—I never heard one of them say anything. But they were always there. We never met them.

Q Marshal Zhukov was quite sociable?

A Oh, yes, very. I attended dinners and luncheons with him. I still have a signed photograph of him. I had great respect for his ability. Of course, as I say, the trouble came after I had left, later on.

"GREAT PERSONAL POPULARITY IN RUSSIA"

An Interview With Gen. Ako Doi

Lieut. Gen. Ako Doi of the Japanese Army was attached to the Soviet Army for four years during the 1920s, served as Japanese military attaché in Moscow from 1938 to 1940. He once was chief of the Russian sector of the Japanese General Staff.

At TOKYO

Q General Doi, could you tell us what you know of Marshal Zhukov, what you think of him?

A I met Marshal Zhukov many times in Moscow. My impression was that he was an ardent nationalist, rather than a Communist. This impression was so strong that I often doubted that he was a real Marxist. Although he was sociable and affable, he was really a soldier type, not interested in political maneuvers and lacking in political ambition.

I think Zhukov represents the "national defense first" policy while Khrushchev [Communist First Secretary Nikita Khrushchev] represents the "Communist Party first" principle. It looks as if Zhukov were nominated to a high position in order to underline to the Western nations the tougher policy that Russia will follow. Of course, there's the question of how long Zhukov will let himself be utilized this way.

Q Why do you think Stalin sent Zhukov away?

A He had great personal popularity in Russia. But not only that. Perhaps Stalin feared his possible sympathy toward the West would weaken Russia's "cold war" position.

Q Do you think Zhukov will follow warlike policies now?

A I have no reason to suspect it. He is a patriotic nationalist who looks at things from the interests of his fatherland alone. Of course, he will do his utmost to build up Russia's military strength, which is far inferior to the Western powers'. Russians will now try to catch up to the U. S.

Q What happens if Russia does catch up?

A I think Zhukov will still insist on following peaceful policies while Molotov [Foreign Minister V. M. Molotov] and Khrushchev still dream of world revolution through force. Zhukov thinks only in terms of national defense.

Q Then chances of war are less?

A No, the chances of war breaking out by chance are greater than before the downfall of Malenkov [Georgi Malenkov, now Deputy Premier]. Molotov and Khrushchev are not as cautious as Malenkov in avoiding war. Zhukov, of course, will strongly resist any policies that might bring war, but it is doubtful whether he is strong enough to turn Khrushchev and Molotov aside if their risk policies become dangerous.

WHAT IKE SAYS ABOUT ZHUKOV

The following description of the last meeting between General Eisenhower and Marshal Zhukov is from Mr. Eisenhower's book, "Crusade in Europe," copyright, 1948, by Doubleday & Company, Inc:

I saw Marshal Zhukov for the last time November 7, 1945. It was a Soviet holiday, in honor of which he gave a large reception in Berlin, inviting to it the senior officers and staff officers of all the Allies. The weather turned bad and flying was impossible. The other two commanders in chief canceled their engagements but, knowing that I was soon to be ordered home, I determined to attend the ceremony, although to do so I had to make a night trip by train, followed by a long automobile trip during the day.

When I arrived Marshal Zhukov, with his wife and a number of his senior assistants, was standing in the receiving line. He greeted me and then promptly deserted the receiving line. He took his wife by the arm, and the three of us, with an interpreter, retired to a comfortable room where were refreshments of all kinds. We talked for two hours.

–United Press

GENERAL EISENHOWER

The tenor of the marshal's conversation was that he believed that we in Berlin had done something to help in the difficult problem of promoting understanding between two nations so diverse in their cultural and political conceptions as were the United States and the Soviet Union. He felt that we could accomplish still more. He talked at length about the new United Nations and remarked: "If the United States and Russia will only stand together through thick and thin success is certain for the United Nations. If we are partners there are no other countries in the world that would dare go to war when we forbade it."

The marshal seemed to be a firm believer in the Communist concept. He said that, as he saw it, the Soviet system of government was based on idealism, and ours upon materialism. In expanding his idea of this difference he remarked—and introduced an apology because of his criticism—that he felt our system appealed to all that was selfish in people. He said that we induced a man to do things by telling him he might keep what he earned, might say what he pleased, and in every direction allowed him to be largely an undisciplined, unoriented entity within a great national complex.

He asked me to understand a system in which the attempt was made to substitute for such motivations the devotion of a man to the great national complex of which he formed a part. In spite of my complete repudiation of such contentions and my condemnation of all systems that involved dictatorship, there was no doubt in my mind that Marshal Zhukov was sincere.

Another slight incident at that final meeting illustrated again how frequently things that we would probably consider inconsequential and scarcely worth noticing can become important in the eyes of individuals whose background from childhood has differed sharply from our own. The reverse, also, is probably true. The marshal told me that a book written by an American about Russia stated that Marshal Zhukov was shorter by two or three inches than his wife, and that he had two sons. The story irritated him because he saw in it personal disparagement and belittlement. He and his wife stood up for a moment and he said, "Now you see what kind of lies some of your writers publish about us." And he added, "Also, we have no sons. We have two daughters."

He referred to a picture of the Generalissimo published by one of our magazines. This was not a personal photograph but was a likeness of a painted portrait that hung in one of the Berlin night clubs. The magazine picture had been taken in such a way that, with seeming intent, the Generalissimo's portrait was photographed in most unfortunate and undignified surroundings. This literally infuriated the marshal. He turned to me and said: "If a picture of you like this one should appear in a Russian magazine, I would see that the magazine ceased operations at once. It would be eliminated. What are you going to do?"

This called for me to describe the free press of America, but after an earnest and, I thought, eloquent attempt I found that I had made no impression whatsoever. The marshal merely repeated, "If you are Russia's friend you will do something about it."

Similarly I tried to make him see the virtues of free enterprise. Firmly believing that without a system of free or competitive enterprise, individual political freedom cannot endure, I showed him that, so far as I was concerned, complete state ownership necessarily would involve complete dictatorship, and that the effort to escape all dictatorial rule was the reason for America's founding and growth. He merely smiled.

Even after I returned to the United States the marshal and I continued, until April 1946, to correspond on our accustomed friendly terms. In the spring of that year he was relieved from his Berlin command and I have never since heard from him directly. It was rumored that he was out of favor—that for some reason he had fallen from the high place he held in Russian affections and popular esteem during the late months of the war.

One of the speculative reasons given for his virtual disappearance was his known friendship with me. I cannot believe that such was the case because, in spite of that friendship, he always seemed to be profoundly convinced of the essential rectitude of the Communist theory. He knew that I was an uncompromising foe of Communism because I believed that it is synonymous with dictatorship; he would listen patiently when I said that I hated everything that smacked of statism, and that our whole Western tradition was devoted to the idea of personal liberty. But his own adherence to the Communistic doctrine seemed to come from inner conviction and not from any outward compulsion.

Interview with MAJ. GEN. J. R. DEANE, U.S.A. (RET.)

Chief, U.S. Military Mission to Moscow, 1943-45

ADVICE TO THE U.S.: DON'T OVERESTIMATE RUSSIA

If the Soviet Army is so powerful, why did it need so much American help to repel the German invasion? U.S. supplied planes, vehicles, locomotives, food and fuel.

U.S. got scant credit from the Soviets for this aid. But Marshal Zhukov knew about it. He should realize the Soviet weakness that made such help necessary—and the American strength that made it possible.

Now Zhukov is Soviet Defense Minister. Will he steer the Kremlin toward a cautious course, away from a clash with U.S. power?

To get the story of how U.S. helped Russia—and how this aid may affect the outlook now—an editor of *U.S. News & World Report* interviewed Maj. Gen. John R. Deane, head of the U.S. Military Mission to Moscow during the war. This is General Deane's analysis.

Q Under Khrushchev the Russians are going back to guns before butter. Could it be, General Deane, that U. S. supplies made it possible for Russia to beat Germany in the East?

A The Russians came within very little of losing Western Russia—that is, the area west of the line Leningrad-Moscow-Stalingrad. Probably the thing that saved them more than anything else was the fact that the Germans were so overextended that they could go no farther. But, in a critical situation such as the one that existed, anything might tip the balance, and certainly American aid, which was just about beginning to make itself felt at the time of the Stalingrad siege, was a major contributing factor in saving Russia.

This was of tremendous importance, for, while Russia probably would not have been defeated, had she lost her ports in Western Europe she would have been militarily helpless to support her allies in defeating the Germans. With Russia dependent on an American supply line across the Pacific, it is doubtful that Japan would have remained neutral. And if Japan had declared war on Russia at this time, the Pacific supply route would have been closed, too, and Russia might have been eliminated from further active participation in the war, particularly as far as any offensive action against the Germans was concerned.

Q Could the Germans have defeated Russia without American aid?

A Had Germany been engaged only with Russia, it's probable that she would have defeated the Soviet Union. But with the Germans otherwise preoccupied, I don't believe they could have spared either the matériel or manpower to make a very much deeper penetration of the Soviet Union than they did. Under pressure, the Russians could have withdrawn and awaited the Allied victory over Germany to re-establish her boundaries.

Q Did our aid come at a critical time, or did the Russians start making a comeback before much of our help arrived?

A At the beginning of the invasion, the Germans advanced very rapidly, perhaps too rapidly. While the Russians were putting up as much resistance as they were capable of, the thing that really slowed the German attack was the length of their line of communications. American supplies certainly gave material aid to the Russians at a very critical time. More important, it gave a terrific morale boost to them. Later, the continuing and increasing aid was a material factor in permitting the Russians eventually to take up the offensive.

Q What did they get from us?

A From October, 1941, through May, 1945, we sent 2,608 shiploads to the Russians. Of these, 77 ships were lost by enemy action, but the Russians got a total of 15,234,791 tons of supplies valued at something in excess of 11 billions.

We sent them 427,284 trucks, 35,170 motorcycles, 13,303 combat vehicles, 2,328 ordnance service vehicles, plus 1,966 steam and diesel locomotives, and more than 11,000 railroad cars of various types.

They got some 2,670,000 tons of petroleum products. We not only sent them gasoline to fly the planes we gave them, but gas and oil for American vehicles, and blending agents to make Soviet gasoline suitable for aircraft use.

We also sent some 4,478,000 tons of foodstuffs: canned meats, sugar, flour, salt, other things, enough to supply each Russian soldier with more than eight ounces of fairly concentrated food per day.

Then we also sent them more than 1 billion dollars in industrial equipment, medical supplies, clothing, etc.

Q What was the most important to the Russians?

A Motor transport was the most important because, when the Russians eventually assumed the offensive, their strategy was to mass huge armies at different parts of the front, and to make what amounted to frontal attacks. Without American motor transportation, the massing of these troops would have been extremely difficult and time-consuming. When you

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Soviet Weakness: Poor Transportation, No Electronics, No Strategic Air Force . . . Too Busy at Home for a War

have mobility, surprise is possible, but when an army is on foot without organized transport, it's difficult to get surprise. I don't see how the Russian superiority in manpower, some 60 divisions more than the Germans, could have been applied without the American trucks to ride in, American shoes to march in, and American food to feed them.

Q How did we know that the Russians needed and used what they asked for and got from us?

A We had very little opportunity to check the necessity for any of the supplies that we sent to the Russians. This wasn't a very major consideration in the early days of American Lend-Lease aid to the Russians because they definitely had their backs to the wall and it was reasonably certain they weren't asking for anything they didn't need to protect themselves at the moment. From the Allied point of view at the time, there was nothing more important than to keep Russia in the war.

MAJ. GEN. JOHN R. DEANE

However, as the war progressed, and victory became certain, Soviet requests for supplies were colored more and more by postwar considerations. Demands increased for such things as port facilities, industrial plants, railroad equipment and machine tools.

Q Was it American trucks and gasoline that carried the Russians to Berlin?

A I wouldn't go so far as to say that. Undoubtedly the Russians had a lot of transport of their own. But the only organized transport one saw in the Soviet Union at the front or behind the lines was American transport. A convoy made up of Russian equipment would include vehicles of all kinds, even horsedrawn wagons, whereas a convoy made up of American equipment was limited to equipment of the same type. This gave them much greater speed and capacity of movement.

Q Did the Russians get things like Spam and K rations?

A Yes, quite a bit.

Q Did our supplies carry American labels? Were they readily identifiable as American goods?

A Most of it did. As a matter of fact, there was no real effort by the Russians to hide the identity of American equipment. The general public, of course, never saw this equipment. There was no publicity whatever given to the fact that it was received. On the other hand, the troops did see this equipment, and it was my experience in visiting the troops that all hands were extremely grateful for the things that they received. But the term "Lend-Lease" implied repayment, which gave the Soviet leaders the excuse for looking on our assistance as a business deal rather than as a friendly gesture.

Q Did the Russian people get any of these things?

A I saw very little American food on sale in Moscow, although there was some. All the supplies we sent them, particularly the expendable items, were used in the prosecution of the war: foodstuff, petroleum goods, clothing, etc. On the other hand, there was a great deal of equipment that did have a postwar significance: capital goods, railroad equipment, a tire factory, oil refineries. These items could be seen by the local population. But there was no publicity given to the fact that it was received and installed with American aid.

Q Did you get any impression that the Russian military, the top Communists, and the people were grateful for this aid, or was it taken for granted?

A The Russian leaders took the position that we were fighting a common enemy, and a victory on the Eastern front was just as good as a victory on the Western front. They argued that their successes lightened our burden in defeating Germany. They felt that in a partnership where they furnished the manpower, which they had, and we furnished the matériel, which we had, gratitude did not play a part. That was the point of view of the Soviet leadership. So they never evinced any great display of gratitude.

But when one went forward to see the troops, and even the leaders of the soldiers, it was apparent that they realized that without the equipment marked "U. S. A." they would have been severely handicapped. The official view, however, was that generosity and gratitude had no part in the arrangement.

Q Did we ever get anything for our help? Did they cooperate with us?

A They didn't do anything for us voluntarily, and even those things that they did eventually allow us to do, such as shuttle bombing from bases in the Ukraine, weather stations, and exchange of information, and other so-called "co-operative" ventures, were usually sabotaged in one way or another so as to make them almost completely ineffective. The cost to the Soviet Union for any of these co-operative projects was

(Continued on next page)

. . . "I believe Soviet leaders would be reluctant to start war"

nothing compared to the cost of American aid to them. They did the absolute minimum to keep us sweet.

Q Did the Russians show appreciation for the tremendous price we paid to deliver this material to them, the 77 ships and crews lost in the effort?

A No. Their constant cry, up until the time of the invasion of Europe, was that our military effort was something less than our capability. Therefore, in their opinion, such things as losing ships, while regrettable, still didn't seem to put any undue burden on our war effort. They took the stand, from Stalin on down, that our aid was prompted by expediency, and not by friendliness for the Soviet Union.

PRIORITY FOR AID TO RUSSIA—

Q Did our help to Russia interfere with our war effort?

A It's very difficult to say if it interfered with our war effort. Certainly, the Soviet Protocol, covering our aid to Russia, by directive of the President had priority over almost every other demand on our matériel, and there were innumerable instances throughout the war when our aid to Russia caused delays in equipping our own forces for both training and combat. We never lost an opportunity to give the Russians weapons, equipment or information that we thought might be helpful to our joint war effort.

Q How did Russian equipment stack up against ours?

A In my opinion, the only thing they had that was comparable to ours in quality was their artillery and their tanks.

Q Was the individual Russian a good fighter, or was it mere numbers that overwhelmed the Germans?

A The individual Russian was an extremely good fighter. He had physical qualifications developed by generations of hardship which made him rugged and able to withstand most battlefield conditions. His bravery, of course, was prodded from behind as any show of cowardice was summarily dealt with. Perhaps most of all, the desire for revenge against the Germans was responsible for the Russians' will to fight. Had Hitler treated the Russians well in areas which German armies occupied, it's my opinion that there would have been much more dissension in the Soviet forces. But, as you know, the Germans came in with slave-labor ideas, killed off the Jewish population, so that there was hardly anyone in Russia not personally affected by some German atrocity.

Q There's a lot of speculation, now that Marshal Zhukov is Minister of Defense, about an Eisenhower-Zhukov meeting. You saw them together in Berlin and Moscow in 1945. Is there any chance of a meeting at that level reducing the friction between us and the Soviets?

A It's true that the President and Marshal Zhukov did become rather well acquainted in the immediate postwar days, and it seemed apparent that they had mutual respect for each other, even some friendliness. However, at this stage, I don't believe that any relationship that might be established between them could have any influence whatsoever in changing the basic objectives of the Soviet leadership.

Q Aren't the Soviet military leaders more conservative than the Communist leaders, less likely to precipitate war?

A I believe that the leaders of the armed forces of the Soviet Union would be reluctant to start war until convinced that they had superior strength. Certainly the leadership, if not the rank and file, are Communists by conviction in large part, and, if not that, by the realism of the situation. It's conceivable that some military leader might arise who could control the Army and eventually overthrow Communism in Russia. But I see nothing in the present setup to justify such a hope. As for Marshal Zhukov, I don't believe he'd be where he is unless he had pretty well convinced the powers that be that he is a loyal member of the Communist Party.

Q Is there a difference in attitude toward America between the Soviet leaders and the Russian people?

A There was when I was there. I haven't been there, however, since late 1945, so I don't know the degree to which constant anti-American propaganda has taken effect. Ten years ago it seemed to me that the Russian people, the rank and file, had an extremely warm feeling of friendship toward the American people. On the other hand, the Soviet leaders gave us little reason to expect a strong postwar friendship, even at the time when our causes were the same and we were closely associated.

Q Did we gain major information about the Soviet Union, her capacity and geography, during the war when so many Americans were on Soviet territory? Is any of that any good now?

A I would say that, even during the war, American opportunities to familiarize themselves with any aspects of Russian life were extremely limited. However, there were a lot of Americans in Russia: perhaps 200 all told in Moscow, plus small groups at all the principal ports, and we had three air bases with sizable military garrisons each in the Ukraine, and then we had also sent engineers to various spots in the Soviet Union to assist them in the erection of industrial installations, so there was a fairly good-sized American group fairly well scattered. While they did not get much detail, they certainly did get general impressions. Anyone who was there could only conclude that, if it was difficult to get along with the Russians when our interests coincided, it would be almost impossible to get along with them when our interests clashed.

NEEDED: LACK OF FEAR—

Q Should we have a more aggressive policy toward Russia?

A I think in the past we have been too prone to have our policy toward the Soviet Union influenced by fear. In my opinion, most people who have spent any time there within the last 10 to 20 years must realize that, in view of the tremendous tasks that the Russians had before them, they are in no position militarily to challenge the Western world. It's true that they have an ability to specialize in certain lines of production, as with their artillery during the war. And it is also true that they have had some assistance from the Germans in the postwar period. Undoubtedly they are immeasurably stronger than when I saw them 10 years ago.

But their task included almost a complete development from scratch of a road and rail net in order to utilize their resources, the creation of a strategic air force, the creation of a Navy, the creation of an electronics industry, the development of atomic energy, and at the same time the necessity of doing something to increase the standard of living. It's my opinion that any nation would be much too busy in a 10-year period in the creation of these resources to think of expending them in a hopeless war, and, therefore, I believe we should have in the past and should in the foreseeable future formulate our foreign policy with a complete lack of fear as to what the reaction of the Communists would be. It's probably wise to overestimate your enemy, but I think we have overdone it.

Turn Butter Into Ghee, Sell It—

Latest Idea for Getting Rid of U. S. Surplus

What can U. S. do with 264 million pounds of surplus butter? Here is the newest plan . . .

Convert it into ghee, a substance used in Asia as food, medicine, ointment, and in religious ceremonies.

Problem: Turning butter into ghee means losing 29 cents a pound to U. S. Even then, it costs too much for most Asians—and the taste is a problem.

Ghee, the kind of butter that Little Black Sambo picked up after the tigers had chased themselves around a tree, may turn out to be the answer to U. S. surplus-butter problems.

Millions of Hindus and Moslems in Asia and the Middle East are fond of ghee. And ghee is in short supply in that part of the world.

To tap this potential market, the Department of Agriculture has a dozen U. S. dairy plants trying to work out a recipe for turning butter into ghee.

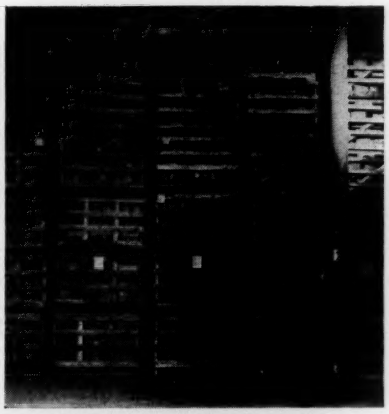
Cost of converting a pound of butter to ghee, and getting it to grocery stores in India, for instance, will be about 23 cents. This, added to the 64-cent cost of butter in the Government stockpile, brings total cost to 87 cents a pound. Ghee, it is hoped, will bring about 58 cents a pound in India, making the loss to taxpayers 29 cents.

Ghee does everything. Ghee, simply stated, is made from butter by boiling the butter, cooling and pouring off the more liquid, oily part, which is the ghee. It requires no refrigeration, which makes it simpler to ship than butter.

Ghee serves the Asian people as both cooking oil and spread. They like to use it in, or along with, virtually everything they prepare by cooking. The pancakes in the Little Black Sambo story were probably the English translation of the Indian "chapati," which is a thin wafer made of whole-wheat flour and pan-fried in ghee.

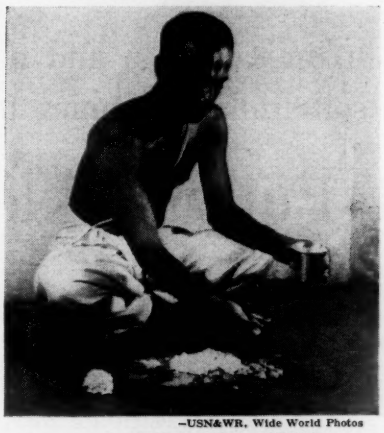
Ghee is also valued as a medicine by many Asians. According to the "Encyclopaedia Britannica," they regard it as "cooling, emollient and stomachic, as capable of increasing the mental powers and of improving the voice and personal appearance; as useful in treatment of eye diseases, painful dyspepsia, wounds, ulcers and other affections." Natives of Tibet use it as a hair dressing for special occasions.

Still another use for ghee is in religious ceremonies. It is offered as a sacrifice to idols, which sometimes are bathed in it. In very special ceremonies, ghee is poured on a small fire as an offering to the fire gods.



U. S. SURPLUS BUTTER . . .

. . . COULD MAKE "GHEE" . . .



—USN&WR, Wide World Photos

. . . FOR HINDU MEALS
It would be costly

Recipe for ghee. Finding the recipe to convert U. S. butter to ghee is not easy. Basic problem is that ghee made from U. S. butter has a "raw" taste because butter in this country is made from uncooked milk. In contrast to this, the Indians reach the butter state in ghee making by boiling milk and letting it cool overnight, then churn butter from the curd that forms.

Officials are working on the problem from two directions. They have a dozen U. S. dairy plants trying to duplicate samples of Indian ghee.

Meanwhile, a dairy-product expert of Ohio State University is touring India and Pakistan to get instructions from the best ghee makers there.

Ghee economics. A 29-cents-a-pound loss doesn't look too bad to officials who have been trying to auction off surplus butter on the world market. Even though authorized to sell for as low as 37 cents a pound, which would mean a 27-cent loss on current stocks, they have unloaded less than a couple of million pounds. At present, they have 264 million pounds on hand.

As to the size of the market for ghee, Government men point out that India, with a population of 356 million; Indonesia, with 78 million; Pakistan, with 76 million; Egypt, with 22 million; Iran, with 19.5 million; Burma, with 19 million, and Syria, with 3.5 million have all indicated an interest in the plan.

An American economist who recently returned from Pakistan doubts that the market will be very wide at 58 cents a pound. He says the average Pakistani worker, who gets only 1 rupee per day, would have to spend a full two days' wages to buy 1 pound of ghee.

However, Agriculture Department officials are convinced they can market a considerable quantity of butter as ghee in the Near and Far East. As soon as they find the recipe for converting butter to ghee, they plan to find out just how big the ghee market is.

THIS IS NATIONAL STEEL

Just about everything comes in tin cans . . . and now America's steel mills, container manufacturers, and soft-drink companies team up to produce . . .

Soft Drinks that Put Sparkle in the Party

A welcome guest in homes today is a familiar favorite in a new package. Across the land, soft drinks in tin cans put the sparkle in many a party.

The growing use of tin cans for containers is one of the newest advances in the soft-drink industry. Cans offer many advantages: They are easier to carry, to chill, to store, and finally to dispose of. And, because "tin cans" are actually about 99 per cent steel, they are unbreakable.

These advantages account for the production of an estimated 750 million soft-drink cans in 1954. Industry sources predict a tremendous increase over the next few years, for the tin can as a container has many qualities demanded by consumer and canner alike.

Geiger Counters to Tennis Balls

Tin cans, of course, are not new. The first "tin canister" was patented by Peter Durand in 1810. A good tinsmith could construct about ten cans a day. Modern can-making machines now

turn out *hundreds a minute* in a glittering flood!

Many years of research and experiment have gone into designing cans for many thousands of products. Today everything—from pork and beans to beer, from whipping cream to shaving cream, from Geiger counters to tennis balls—comes in cans. The soft-drink can represents one of the latest mass production miracles made possible by American ingenuity . . . and *steel.*

Teamwork Creates a New Product

The development of soft-drink cans parallels that of the beer can in many respects. In a relatively few years the use of tin cans for beer has skyrocketed, so that last year about six and one-half *billion* beer cans were produced.

The current development of cans for soft drinks is an outgrowth of the success in canning beer. However, the soft-drink can, though similar to the beer can, posed many new problems. Higher pressures and greater acidity called for special steels and different lining materials. And each of the 21 or more soft-drink flavors marketed today has different characteristics and container requirements.

The success of the soft-drink can resulted from the close teamwork of the steel mills, can manufacturers, and soft-drink companies in solving these many complex problems. Since 1950, when soft-drink cans first appeared in quantity on grocers' shelves, progress has been constant.

Steel in the Starring Role

National Steel, of course, is not in the soft-drink or can-manufacturing business. National's role is that of a leading supplier of hot dipped and electrolytic tin plate to the country's can manufacturers. National research and production men work closely with their customers to develop the precise kinds of steel and tin plate needed to produce the more than 35 billion tin cans made every year. Tin cans consume about four million tons or more of tin plate each year—and that means steel and lots of it.

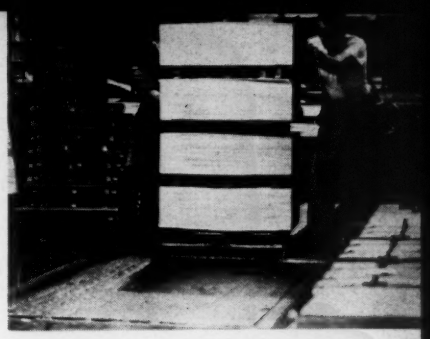
It has been said that modern civilization could not exist without the tin can. Canning has made possible the wonders of exploration, it has proved a boon to the housewife, it has fed our troops on the battlefield, it has reduced food costs, and substantially raised our standard of living.

And canned soft drinks are just the newest example of the many modern products made possible by *steel*—America's great bargain metal.

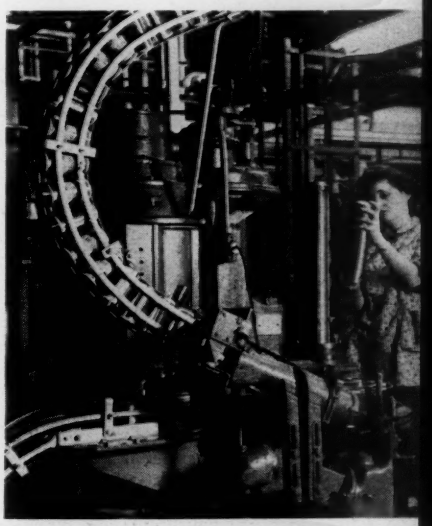
NATIONAL STEEL

SEVEN GREAT DIVISIONS
WELDED INTO ONE COMPLETE
STEEL-MAKING STRUCTURE

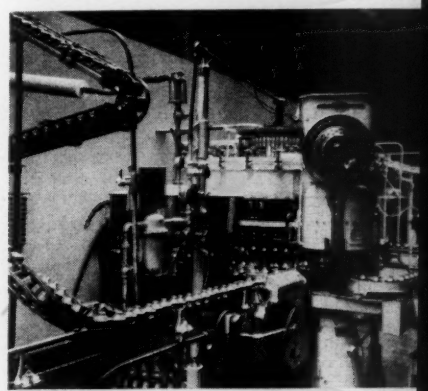
Great Lakes Steel Corporation • Weirton Steel Company • National Steel Products Co. • Hanna Iron Ore Co. • The Hanna Furnace Corporation • Stran-Steel Division • National Mines Corporation



Weirton Steel Company, a division of National Steel, is a leading producer of tin plate. Here sheets that have been cut from a giant 23,000-pound coil of tin plate are moved to the shipping department, where they will be packaged for delivery to a can manufacturer.



Automatic machinery makes possible the mass production of tin cans to meet the country's growing needs. Here, can bodies move at high speed along a modern conveyor line to the "bottom seamer," where the can bottom is securely fastened in place.



In the canning plant, too, automatic high-speed machinery makes possible the tremendous production that means more and better things for more Americans. This machine fills and closes the cans and moves them to the waiting shipping cases—all automatically.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

HERE'S IKE'S HIGHWAY PLAN

U. S. Would Pay a Third, States and Cities the Rest

You'll probably be driving over a vast new network of superhighways 10 years from now. That's promised by Ike's road plan.

Many road proposals are churning around in Congress. The Administration's program is likely to emerge with some changes.

Opposition is mostly to methods, not the road improvements. In what follows, you get a look at what Ike's plan would mean.

If President Eisenhower has his way with Congress, this is the kind of highway-development program that lies ahead:

- A 25-billion-dollar system of superroads will be built across the country, east-west and north-south. Work on this highway system will be ordered, and paid for, by the National Government.
- A 76-billion-dollar program of road and street improvements and expansions, outside the transcontinental network, will be undertaken. But here the initiative is to be left up to States and local governments, which also will put up the money, except for a federal contribution of 6 billions, or 8 per cent of the total cost.

President Eisenhower's highway plan, as presented formally to Congress, makes it plain that he looks at road needs primarily from the standpoint of national defense.

When and if atomic attacks threaten, the President points out, cities must have broad avenues of escape for their populations. The armed forces will need high-speed highways as never before, so they can disperse and regroup rapidly. Present thoroughfares are often narrow, cluttered, more likely to be death traps than escape routes in an emergency, as the President sees them.

National highways. As a result, Mr. Eisenhower proposes to spend 2.5 billion dollars a year for the next 10 years to improve the main highways between and through cities.

By pouring 25 billion dollars into these main roads, on the "interstate network," the President believes that the country by 1965 can have an indestructible web of fast routes, at least four lanes wide over most of their distances, linking all major industrial and urban areas, and all sections of the country.

These roads, as outlined in the President's plan, will follow existing main-highway locations in general. But rights of way will have to be widened in thousands of places; extra lanes built; some sections of the roads completely relocated.

The network may incorporate State-owned toll roads, where they are built or under way. There may be federal tolls charged on other sections. The President's plan leaves the way open for such changes in the traditional "free roads" policy of the National Government.

A new method of financing the defense highways also is advanced by Mr. Eisenhower. He suggests that Congress will want to study the plan proposed by a White House Advisory Committee on Roads. This Committee recommends that a separate federal road-building agency be created to run the mammoth highway program, issue special bonds to finance its costs. The bonds would be paid off with proceeds of a federal gasoline tax, plus some tolls.

The President states that he is "inclined" to favor this program. At least, he favors some new method whereby highway users will pay for highway improvements, instead of following the past practice of paying for such improvements out of general tax receipts.

Local roads. When it comes to the problems of local roads, and local traffic jams, however, the President adopts a more conservative position. He is not for any big new programs originating with the Federal Government. He suggests that States, counties and cities must solve their own highway, road and street difficulties, in their own different ways and with their own money.

The President does recommend that Congress continue to appropriate the usual federal-aid funds for improvements on main State highways and farm-to-market roads and a few city streets. This now involves about 600 million dollars a year, accounting for a total of 6 billion over the 10 years covered by Mr. Eisenhower's program.

There is nothing extra, in the presidential recommendations, for new aid to farm-to-market roads or State highways.

The obstacles. Objections already are piling up in the path of the presidential road plan.

Some members of Congress are attacking the financing proposal favored by Mr. Eisenhower. They say interest costs, other charges would skyrocket under the special-bonds plan.

Farm-State Congressmen are unhappy because the plan provides no expansion in aid for rural roads.

Many State and city officials cannot see any practical way to finance 76 billion dollars' worth of road improvements between now and 1965 without much higher gasoline taxes, tolls, and federal contributions—which are not in sight at this time.

Increased spending on national highways, nevertheless, is expected to be approved by Congress in the long run. Traffic and vehicle numbers are rising fast. Importance of roads to survival, in atomic attack will generate new public pressure for road improvements. But the exact form of the highway program is yet to be determined by Congress. The President's plan is only a starting point.

WHAT IKE PROPOSES TO DO ABOUT ROADS

President's goal:

4-lane highways coast to coast.

President's plan:

Spend $101 billion on roads and streets in next 10 years.

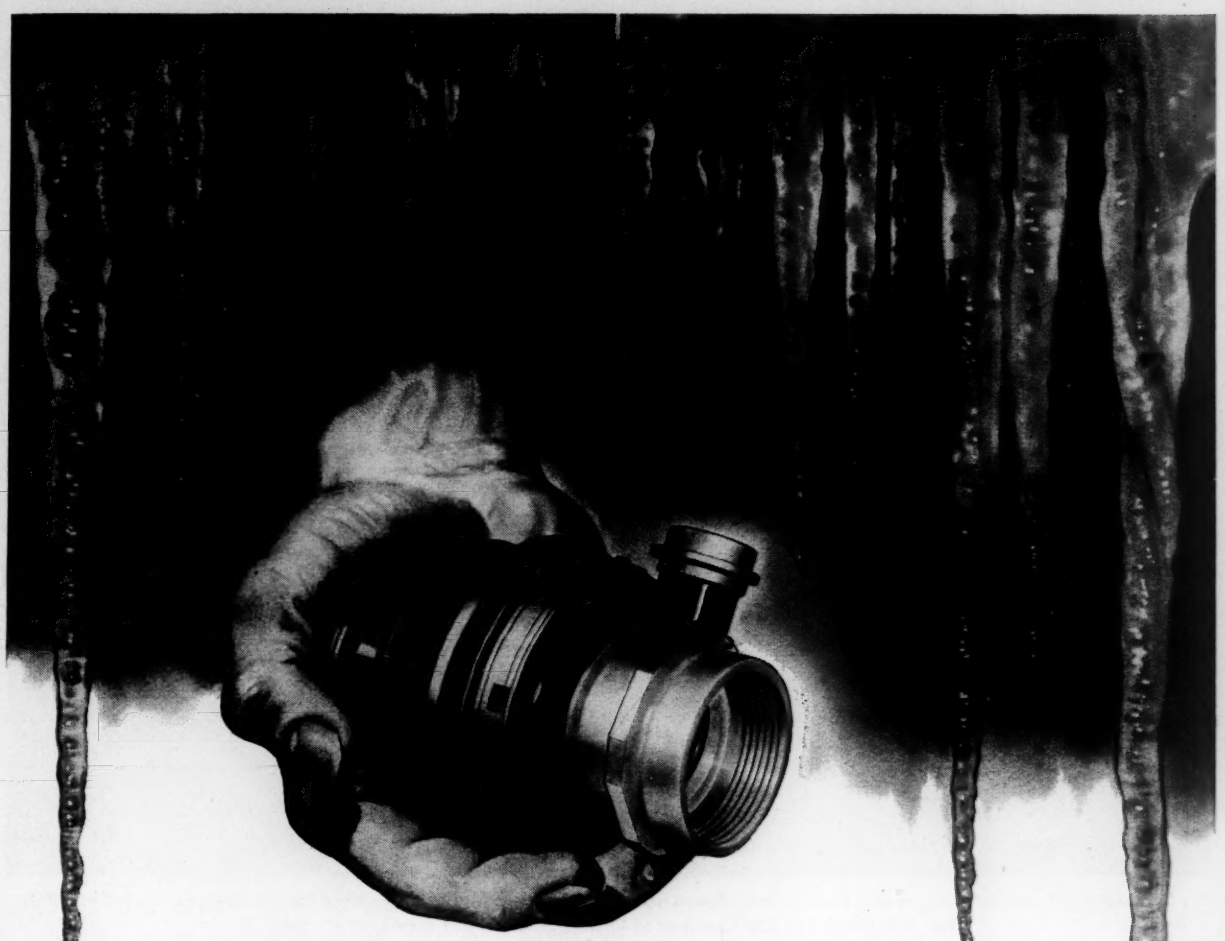
Raise $31.2 billion in federal funds; $69.8 billion in State-city funds.

Finance the federal share with 30-year bonds.

Pay off bonds with higher gasoline taxes, some road tolls.

President's prospects:

Uncertain. Congress frowns on special federal bonds for roads. States and cities want Federal Government to put up most of the money.



TWO POUND TON OF ICE

NEW MIDGET DEVICE HAS THE COOLING CAPACITY OF 11 HOUSEHOLD REFRIGERATORS

Since the day a jungle savage first used a palm leaf as a fan, men have sought ways to cool themselves with air. But not until the age of the pressurized airplane did the problem become so critical that the future of flight itself depended on a solution. It was necessary to find a way to cool hot pressurized air to liveable temperatures before it entered the cabin. More than a decade ago AiResearch engineers licked this problem by designing and building the first air turbine refrigeration system for aircraft. Today a remarkable new air turbine, reflecting the progress of more than 900,000 research and development hours, is meeting even more critical temperature problems created by air friction at supersonic speeds. So small it can be held in one hand, this unit has the cooling capacity of a ton of ice per day. Its high efficiency has already been proved on new Douglas and Grumman high-speed jets. Such skill in solving difficult problems in many fields is typical of the design and manufacturing abilities to be found at AiResearch. *Qualified engineers, scientists and craftsmen are needed now. Write for information today.*

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Worldgram®

FROM THE CAPITALS OF THE WORLD

BANGKOK....BONN....PARIS....HAIPHONG....

>> New allies of U.S. in Asia are asking if U.S. really will fight to defend Southeast Asia. Can people there rely on the word of the U.S.?

This is the question, more than any other, that bothers Asian leaders who met with Secretary Dulles in Bangkok to organize Southeast Asian defense.

Massive U.S. power is said to be available for use in Southeast Asia. U.S. intention to protect Asian allies is officially emphasized.

Nevertheless.....Asians recall Dienbienphu. There was American talk of going to the rescue there. No deeds followed the talk. Dienbienphu fell.

There was some very tough talk by the U.S. before the Geneva conference. It ended with Indo-China carved up, while U.S. sat on the side lines.

Then there's Quemoy. Will U.S. help Chiang Kai-shek defend it?

Anti-Communist Asians--as well as Communists--would like to know.

>> Striking power of the U.S. in Asia is not in question.

Fact is accepted that U.S. now has more fire power in the Pacific than it had at the height of the war against Japan.

Striking force adds up to: 400 naval vessels, including big carriers; 30 air squadrons; U.S. ground forces exceeding 300,000 men--plus nuclear weapons.

>> As for U.S. strategy, leaders at Bangkok were given this picture:

Massive retaliation is still the U.S. idea.

U.S. forces are to be kept mobile, concentrated at safe island bases.

No American units are to be stationed in Southeast Asia, where they might become automatically involved in Communist attacks. U.S. air and naval units will be available for combat duty in Southeast Asia, but not earmarked for it.

In case of attack, U.S. alone will decide where, when, how its mobile force is to be used. U.S., not Allied high command, will control American units.

>> Peiping is being warned it can get involved in a three-front war.

Southeast Asia, after a Communist attack, would be only one front.

Second front would be in Korea. An attack on Southeast Asia would revive Korean war, put 20 South Korean divisions back into action there.

Third front could be expected on the mainland of China itself, where the Communists would have to deal with invasion by 300,000 Chinese Nationalists.

In addition: U.S. nuclear weapons, dropped on key targets on the mainland, could cripple Chinese supply system, sap Communist strength on all three fronts.

>> Another fact, often overlooked, has been underscored at Bangkok. It's this:

Formosa is a key point in defense of Southeast Asia. To appreciate this,

(over)

all you have to do is to imagine effect of loss of Formosa. With Formosa in Communist hands, Southeast Asia's will to resist might vanish altogether.

>> You got the feeling at Bangkok that the Asian leaders left with some of the same doubts they had on arrival. They saw these holes in U.S. strategy.

Ground forces in Southeast Asia are weak, no match for Communist China.

Major Asian powers--India, Japan--can't be counted on to help.

Massive retaliation can be side-stepped by Communists. Instead of launching overt attacks on Southeast Asia, they can just keep nibbling away at it.

What's not doubted is that U.S., at Bangkok, took on another commitment.

>> In Europe, U.S. will have to wait a while longer for a West German Army.

Timetable for this U.S. project still is up in the air, after five years.

French ratification has yet to be obtained. It's no certainty.

Delay in West Germany has to be figured on, too. Point is that the Bonn Government, even after ratifying Paris pacts, will have a mass of legislative homework to do. A defense department has to be legalized and staffed. A draft law of some sort will be needed. Laws to regulate soldiers' pay, to provide for military courts, as well as appropriation acts, all have to be voted on.

Recruiting for West German Army has to await all these new laws.

>> In addition, as U.S. observers sense the mood in West Germany.....

Rearming is unpopular, especially among youths likely to be drafted. This means that German politicians will be in no hurry to act.

Bargaining with Moscow for a unified Germany can be an even bigger cause of delay. The reasoning in Bonn is that with rearmament approved but not in effect, with West Germany a sovereign nation, it will be in an ideal position to talk with Soviet Russia on the reunion of East and West Germany.

Talks with Moscow can last a long time, delay rearming that much longer.

>> In Haiphong, last French outpost in North Vietnam.....

French businessmen still think they can do business with Communists and maybe save investments worth 350 million dollars in Communist part of Vietnam.

French technicians, as a result, have returned to Hanoi at urging of the Communists to run power stations, streetcars, railroads, water systems.

A deal with Communists promises the French businessmen personal security, freedom of movement, reasonable profits, indemnity in case of nationalization. More than 100 French firms are involved, including big Tonkin coal mines.

As these Frenchmen see it.....Communists can't run North Vietnam without French know-how, and may let French stay to operate coal mines, banks, shipping.

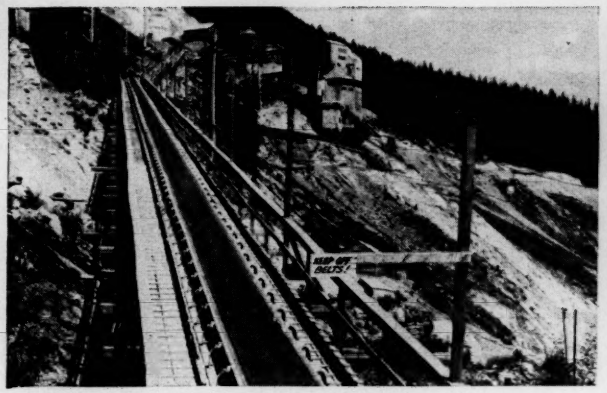
>> But French in North Vietnam are running into unexpected competition.

Chinese Communists account for some of the competition. They are in on the ground floor by virtue of military and technical aid to Indo-China's Communists.

Polish Communists, though, are the big competition. They're operating the Hanoi Airport, rebuilding some railroads, providing shipping.

Poles, actually, have been sent in by Soviet Russia--in competition with both Chinese and Indo-Chinese Communists. Explanation is that many Poles speak French--as do many Vietnamese--and so serve as Moscow's transmission belt.

French hopes of surviving all this competition look dim to U.S. observers.



The country's leading manufacturer of conveying, elevating, and power transmission machinery, Link-Belt Company utilizes Copyflex copying machines in various plants and offices to "move" paper work faster and more economically. In order-invoice operations, Copyflex is used to produce invoices directly from purchase orders, saving time and labor.

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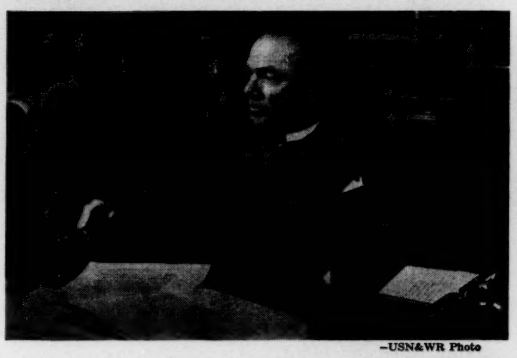
THE MAN .. Senator Fulbright **THE NEWS** .. Eye on Wall Street

A "Friendly" Check On the Stock Market

Senator Fulbright, soft-spoken Arkansan, plans a new kind of Wall Street investigation —a friendly inquiry aimed simply at digging out the facts behind the bull market.



—USN&WR Photo

LIKE MANY OTHERS, Senator J. W. Fulbright wants to know just what is happening on the nation's stock exchanges. As chairman of the Senate Banking Committee, moreover, Mr. Fulbright is in a position to find out. Somewhat humbly, the Senator now is directing the first congressional investigation of Wall Street activities in two decades.

Mr. Fulbright's humility arises from the fact that he is stepping into a vast and unaccustomed field. Hitherto, his chief interest has been foreign affairs. But, by the processes of seniority, he has just inherited the Banking Committee chairmanship. And, he says, the present bull market has been so spectacular and spurting prices have attracted so much attention that he feels a committee study is needed.

"I know very little about this thing, myself," he adds with cheerful frankness. "It's an educational program so far as I'm concerned."

Senator Fulbright, nevertheless, has shown that he can be a slashing, aggressive investigator. He revealed these capabilities in the investigation of irregularities in the Reconstruction Finance Corporation a few years ago. But he plans no such tactics in the inquiry ahead—nothing in fact, reminiscent of the Wall Street investigation of early New Deal days.

To soothe some Wall Street worriers, he says that this inquiry is to be a friendly study of the new market conditions. He stresses that it is "not an investigation of criminals," that there is no "suspicion of wrongdoing," no idea that "laws have been violated."

Facts first. So the Senator is planning a patient, unspectacular marshaling of facts and factors behind the market's rise and of informed opinions as to what has shot prices upward, whether the situation holds any threat to general economic stability and whether federal supervision of the securities markets has been adequate.

Wall Street leaders are proving cooperative. There are suggestions, in fact, that they welcome this opportunity to get the facts into the records, give the public their side of the story. Questionnaires were sent to more than 5,000 men prominent in the Street and in financial affairs elsewhere. More than 1,200 replies were received. These are being analyzed as the first process of the inquiry.

—Herblock in the Washington Post & Times Herald

"JUST A ROUTINE CHECK-UP"
. . . no suspicion of wrongdoing

In addition, an impressive list of witnesses has been scheduled. They include such figures as G. Keith Funston, president of the New York Stock Exchange; officials of brokerage houses, bank presidents, industrial leaders, economists—and the famous financier and adviser of Presidents, Bernard M. Baruch. All are to testify by invitation, voluntarily.

Plenty of questions. Chairman Fulbright hopes to elicit, first of all, a broad general picture of the market situation and then go on to details, specific factors and influences beneath the market rise. He hopes the witnesses will receive a rather thorough questioning, and, to that end, most of them have been allotted a full day each on the witness stand.

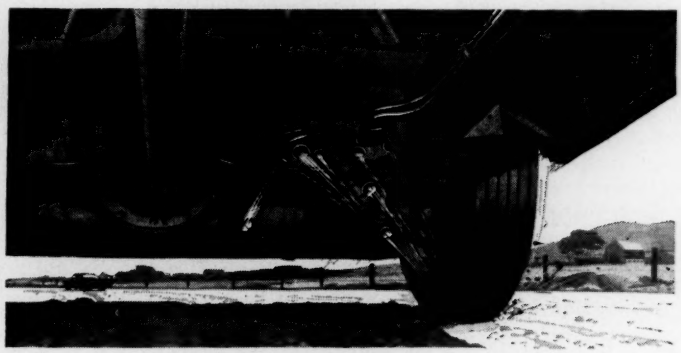
Until he acquires a better understanding of the market situation, at least, Mr. Fulbright plans to leave most of the questioning to others, to the Committee staff and Committee members. He looks to at least three of the latter for expert questioning—some of which might be antagonistic to the witnesses.

The Committee roster includes Senator Paul H. Douglas (Dem.), of Illinois, former professor of economics at the University of Chicago, who is regarded as one of the Senate's more aggressive "liberals." Two other members are veterans of Wall Street investment houses. One of them, Senator Prescott Bush (Rep.), of Connecticut, takes what is usually considered the "conservative" approach. The other, Senator Herbert H. Lehman (Dem.), of New York, is allied with the Senate "liberals."

Lawyer, educator. Mr. Fulbright, 49, is noted, first of all, for his intellectual background—as a for-

(Continued on page 72)

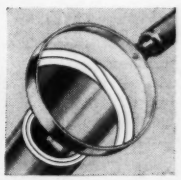
Will your brakes work, or will his name be mud?



Slow as he is, this old mud turtle has a wonderful chance to reach his favorite haunts in safety. Here's why: the manufacturer of your high-speed car equipped it with hydraulic brake lines of Bundyweld Tubing. This outstanding tubing is leakproof, remarkably resistant to vibration fatigue, and 15 times stronger than necessary to save your life. *That's why Bundyweld is used in 95% of today's cars in an average of 20 applications each.*

Only steel tubing can take punishment like this

Your hydraulic brake lines take a constant beating from flying stones; sudden, jolting stops; bumpy roads; stop-and-go driving in traffic. You can *depend* on double-walled Bundyweld STEEL Tubing — *it's 15 times stronger than necessary to save your life.*



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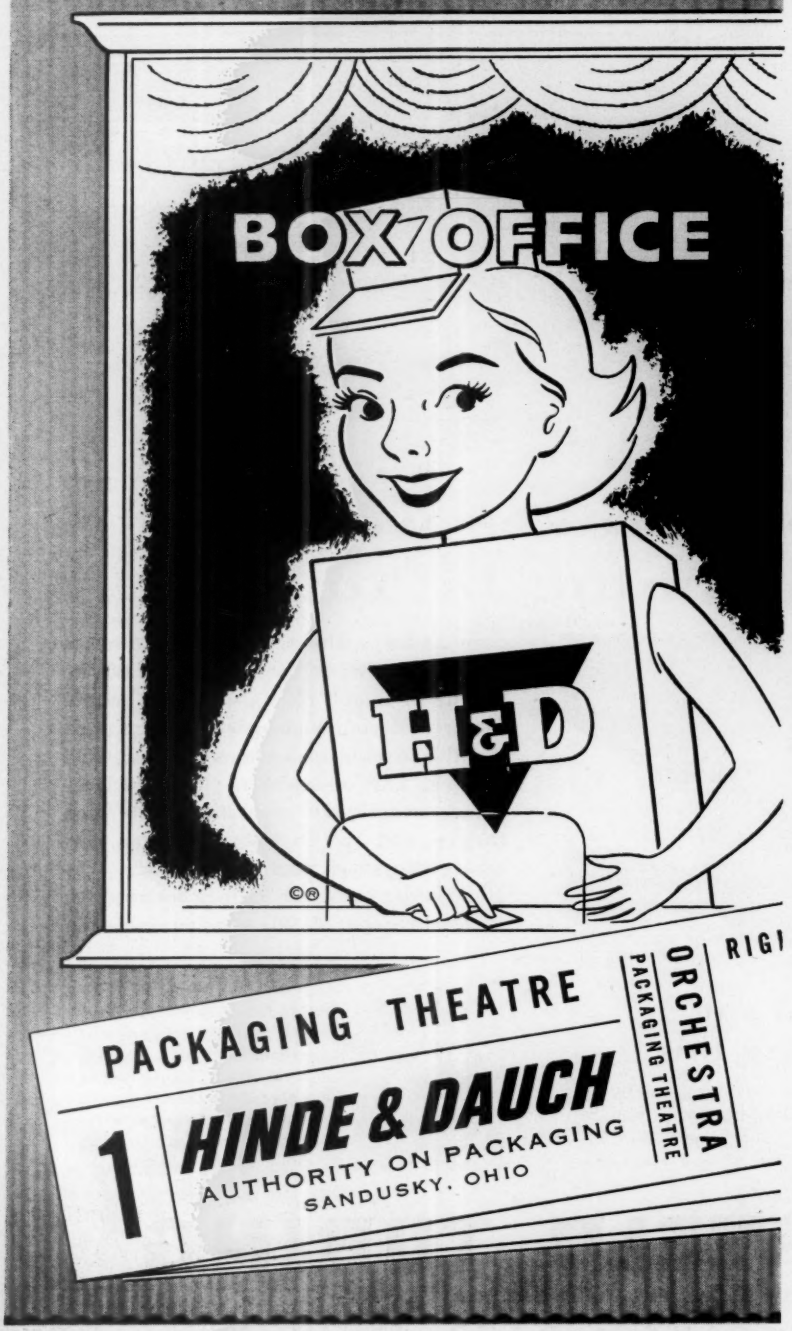
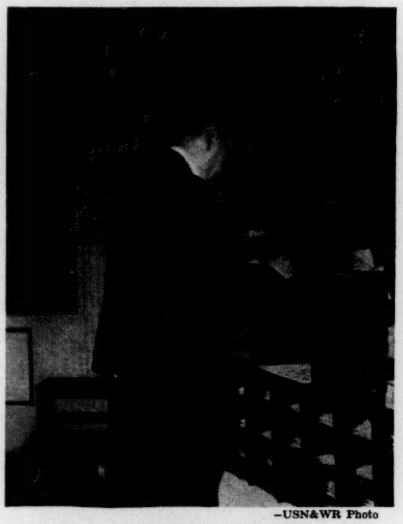


Mr. Fulbright speaks softly, battles firmly . . .

mer Rhodes scholar, with degrees earned and honorary from many universities in the U. S. and abroad. He is informal and approachable, smiles often, and speaks in a soft, Southern drawl. But he has shown himself resolute in battling for his objectives, and, in the process, has not hesitated to antagonize important people.

The Senator was born in Missouri and reared in Arkansas, the son of well-to-do parents. His father had interests in farming, lumber, an investment company, and in a family-owned newspaper. The son distinguished himself at the University of Arkansas both as an athlete and a student. From Arkansas, he went to Oxford for three years. Later he spent months in roaming about Europe.



–USN&WR Photo

BROKER'S OFFICE
Wall Street is proving co-operative

Back in the U. S., he decided he wanted to be a lawyer, studied law at George Washington University and was graduated with honors. For a time, he worked in the Antitrust Division of the Department of Justice, taught law at George Washington and then returned to the University of Arkansas as an instructor. From that post, he was jumped in 1939 to the presidency of the University.

To Mr. Fulbright's surprise, the University job brought him political difficulties. After two years, he was fired by the Governor of the State, Homer Adkins, in a "purge" of State administrative officials. The Senator says the reason was that his family's newspaper criticized the Governor. For a year or so, Mr.

. . . Senator's idea is to head off market ills

Fulbright busied himself with the family enterprises and then entered politics himself.

Rise in politics. In 1942, Mr. Fulbright was elected to the U. S. House of Representatives, defeating an Adkins protégé. Two years later, he ran for the Senate and won, defeating Governor Adkins, himself, and the then-incumbent Senator, Mrs. Hattie W. Caraway, in the controlling Democratic primary election. In 1950, Mr. Fulbright was re-elected to the Senate without opposition.

In Congress, he quickly attracted attention. In 1943, amid intense discussion of what the U. S. postwar role should be, Mr. Fulbright wrote a 55-word, one-sentence resolution expressing approval of participation in an international organization with power to establish and maintain peace. It was adopted by the House with little change. The Senate also approved, but made the resolution more wordy. It was considered a triumph for a freshman member.

In the House, too, Mr. Fulbright voted to discontinue the Committee on Un-American Activities, headed by Representative Martin Dies (Dem.), of Texas. And, a year ago in the Senate, he voted to deprive Senator Joseph R. McCarthy of funds for his investigating committee. On that vote, he found himself a minority of one.

In the RFC investigation, Mr. Fulbright and Senator Douglas did most of the work. President Truman called a preliminary report "asinine" and they redoubled their efforts. Mr. Fulbright proved an adroit questioner. With his disarming smile and soft voice, he would reduce a complicated situation to a few simple and devastating questions.

Senator Fulbright also is author of the system whereby American and foreign universities exchange thousands of graduate students annually. He is convinced that the program is paying valuable dividends in international understanding.

New problem. Now, the Senator's lively mind is turning to a new problem —but one that stirs old memories. Wall Street old-timers still wince at memories of the investigation of the '30s.

That inquiry, Mr. Fulbright points out, came "after the great debacle" of 1929. This one is intended to prevent, if need be, the recurrence of such a disaster. What the Senator is seeking is information to show whether there are weak spots that need reinforcement before it is too late.

Wall Streeters need not worry, Senator Fulbright adds, if the market is "as sound as they say it is."

Portland's power demand up 70% since 1945

In the shadow of Mt. Hood, at the western entrance to the water-level route through the Cascade Mountains, stands Portland, Oregon. It has been a real estate man's dream for years.

Population of the metropolitan area has increased 40% since 1940. Growth of commerce and industry has been riding high on the rapid development of lumber and wood processing, pulp, paper, food products, woolen goods, aluminum, chemicals and alloy metals.

To meet rising electrical needs, Pacific Power & Light Company and Portland General Electric Company invested more than $130,000,000 in new facilities to serve their customers.

In September, 1953, PP&L completed the 125,000 kw Yale hydro-electric dam—the second step in the development of the 500,000 kw power potential in the Lewis River, 40 miles north of Portland.

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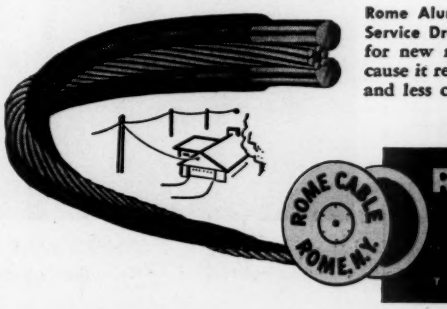

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FROM GERMANY

WHO'S GOING EAST?

BERLIN—Not all German refugees are crossing through the Iron Curtain into West Germany. A good many—more this past year than before—are voluntarily leaving the West to take their chances in Communist East Germany.

The heavy traffic continues to be from East to West. A total of 250,000 Germans escaped the Communist police in East Germany last year to seek refuge in West Germany. But there is a growing traffic from West to East. It is now known that some 75,000 persons voluntarily migrated last year from West Germany into East Germany, where the Communists run things.

People in Berlin are curious about this eastward migration. After all, West Germany is having a boom, with relatively full employment, while East Germany suffers from one economic headache after another. And there isn't any evidence that the Germans going East have become converts to Communism. Yet thousands of Germans during 1954 preferred East to West Germany. Why?

Ticket, job, cash. Communist agents can claim part of the credit. They have organized an efficient system for recruiting West German labor for East German farms and factories. The agents show up in West Germany, approach persons in need of jobs, and promise them not only good jobs in East Germany but free transportation and a little ready cash.

The transaction takes only a few hours to arrange. The recruits are then sent to a distribution center in the Soviet zone, for assignment to a factory or farm.

For the recruiting agent, it's a lucrative business. He gets the equivalent of $75 for each worker hired. For the workers, it seems a less satisfactory arrangement. About a third of the people recruited in this way slip back into West Germany after a few months.

This Communist recruiting system, however, accounts for only a small part

—Wide World

WHERE EAST MEETS WEST IN BERLIN
Not all the traffic is one-way

of the eastward flow. A good many West Germans are going east because they hope to reunite families split up during the war. A reunion in East Germany, to these West Germans, is better than none at all.

Freedom's problems. But the main reason for the eastward migration seems to be that life in West Germany for a refugee from Communist territory is not quite as simple as he had imagined. Refugees in West Germany's free economy have to find their own jobs. The Government doesn't do it for them.

This is quite different from East Germany, where Communist administrators relieve the workers of all such worries. In East Germany the Government not only finds the jobs but orders the workers into them, dictates pay and working conditions, and punishes those who fail to produce according to plan. An East German, after having his life run for him by the Communists, sometimes finds the freedom of the West confusing.

Naturally, a refugee in West Germany looks for the same kind of job he had in the East. He can't always find it. Job standards in West Germany are higher than in East Germany. Employers expect better-educated, more highly skilled workers than the Communist system produces. This puts the East German refugee under a handicap at the start.

Peasants who have left their homesteads in the East have trouble locating unoccupied farms, small or large, in the West. There are long waiting lists in West Germany of refugees in search of farms.

Young industrial workers from the East do, as a rule, find jobs. But older persons, or persons with no special skill, may be up against it.

How apathy grows. And if the refugee didn't have much initiative to begin with, a stay of several months in a refugee camp is likely to make him apathetic. Then it doesn't make much difference to him what part of Germany he is in.

Housing is a problem, too, in the crowded cities of West Germany. Facilities for low-income workers are still inadequate. In many cases the only place a refugee can afford is a windowless air-raid bunker left standing from wartime. Life in these surroundings, especially for refugees trying to get by on unemployment relief, tends to make people either unwilling or unfit for work.

On balance, the West has the better of the migration between the two parts of Germany. As against the 75,000 Germans who—with nothing to stop them—went east last year, some 250,000 escaped west at the risk of their lives. And of these 250,000, fully half are young people, in the highly productive ages of 17 to 24. Those going from West to East generally are older and less productive.

West Germany continues to be considerably more of a magnet than Communist East Germany.

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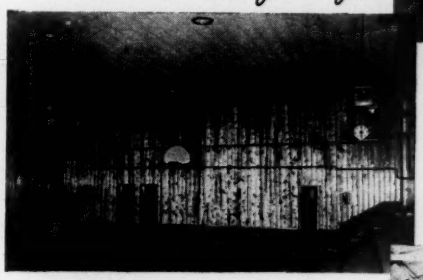

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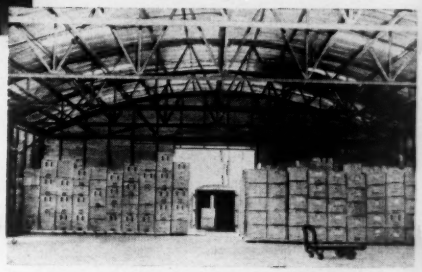

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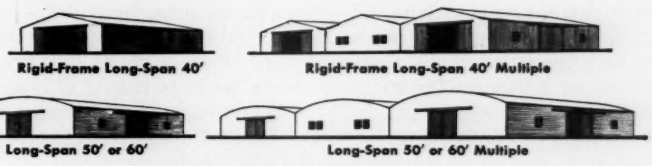

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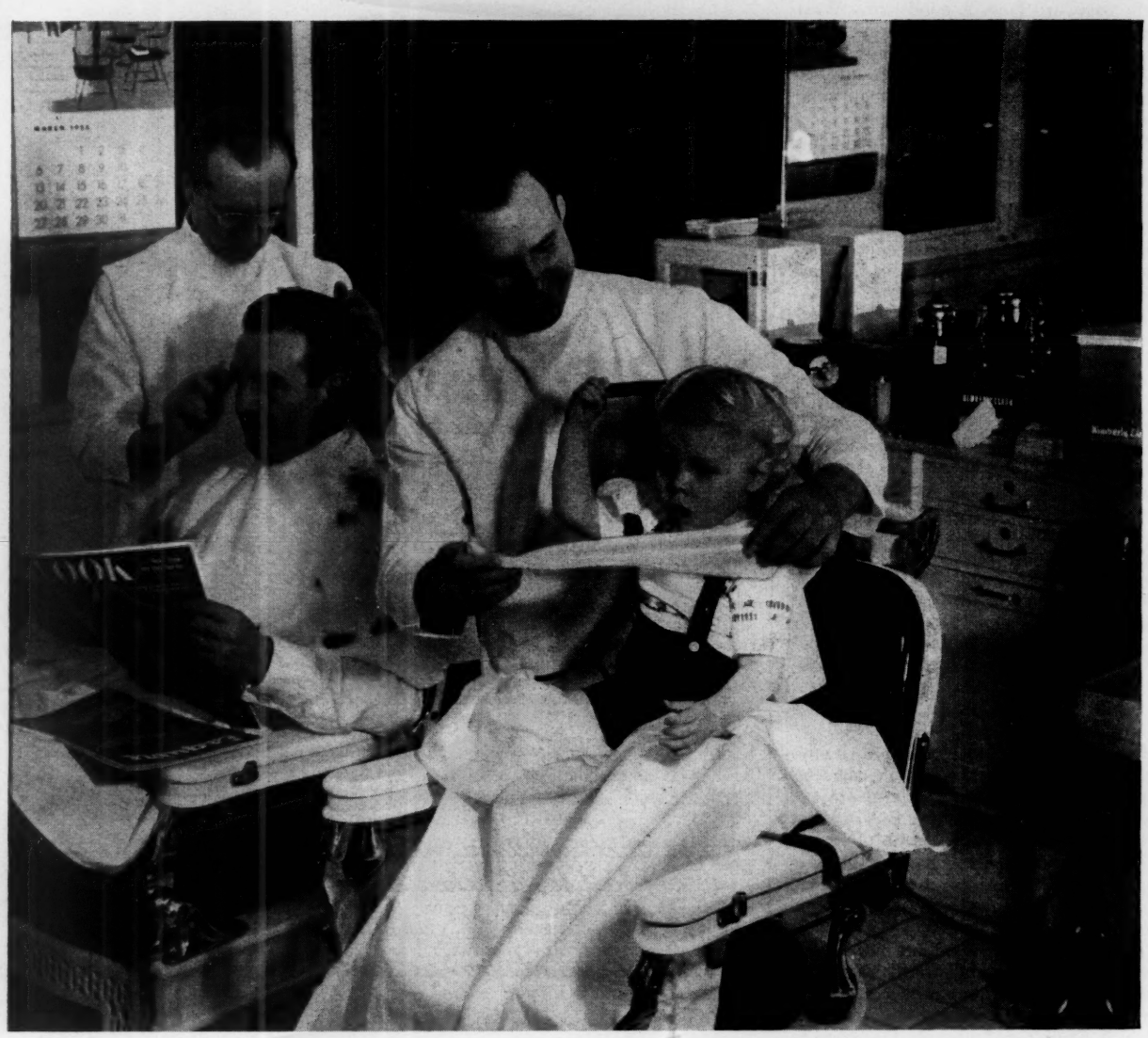

How many of your company's products could you find in this barber shop?

This youngster, who is having his hair cut for the first time, is naturally unaware of all the many products of American industry that surround him. Chances are, though, that you will see them and perhaps among them find something your company makes or had a hand in making.

Among them, too, you'll find a number of wood fiber products of Kimberly-Clark — many more perhaps than you would expect.

For example, Kimberly-Clark makes Sanek, the folded tissue strips that keep clippings from falling down your neck. And Kimberly-Clark makes the sanitary, disposable Sanek towels so many barbers and beauticians use.

Much of the printing paper that goes into *Esquire* and *Look* magazines — and the paper for many calendars, too — comes from the mills of Kimberly-Clark.

The barber shears, the clippers, and the hair tonic bottles were probably once packed and protected during shipping with Kimpak, Kimberly-Clark's soft, absorbent packaging material.

Hundreds of products made from wood fiber exist today to make American business more profitable — to make the everyday lives of Americans more comfortable. Many more wood fiber products are being developed. And, in the future, still others will come from the minds of the men at Kimberly-Clark.

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News YOU Can Use ®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
Washington, D. C.

Now that another whopping home-building year seems assured, people wonder what the effect will be on house-buying plans. Here's the size-up we get:

BUYING HOUSES. Experts who keep tab on construction statistics expect around 1.3 million homes will be built during 1955--nearly an all-time high. Already, new houses started in January and February have topped the number begun in the same period during the previous record year. Older homes, too, are up for sale in larger numbers.

Thus prospective buyers will have plenty of houses to pick from. But that doesn't mean an oversupply is going to knock the bottom out of the market and send prices skidding. Officials of the Federal Housing Administration tell us new families being formed and people wanting larger or more modern homes will keep demand high for many months--if not for several years.

BUILDING COSTS. Prices of homes probably will stay fairly steady, too, spokesmen for real estate trade associations report. Costs of materials and labor, edging up slightly in recent months, are only 1 or 2 per cent higher than a year ago. Result is that in most areas new-home prices are not much different from last spring's. On older houses, prices are down somewhat from a year ago, but about the same as last autumn. Here, though, asking prices aren't so final, there's more room for bargaining.

GETTING LOANS. Mortgage bankers and officials of savings and loan associations say conditions may never be more favorable for getting a loan to buy a house. Except in spots, credit is free-flowing; for veterans, 30-year mortgages with no down payments frequently can be had. Where things are a bit tight, the FHA's voluntary program of mortgage credit now is beginning to operate. This program was set up under the 1954 housing law. Its aim is to encourage the flow of outside money into areas where local lenders are unable--or are unwilling--to make loans at rates borrowers want to pay.

AUTO INSURANCE. When the time comes to renew your automobile-insurance policy, you may find the premiums anywhere from 9 to 32 per cent cheaper than now. The reason: Lower rates for many drivers have just been announced by a majority of the nation's automobile-insurance companies, effective for all but nine States--Illinois, Kentucky, Louisiana, Massachusetts, New Hampshire, North Carolina, Oklahoma, Texas and Virginia. Main classifications where rates have

(over)

been lowered: Where the under-25 driver in your family is a woman. Where the under-25 driver has completed a college or high-school driver-training course. Where cars are used in short work-and-back trips in smaller cities.

MEDICAL DEDUCTIONS. The cost of installing a stair elevator can be counted as a medical expense in figuring income tax deductions. Thus concludes the U.S. Court of Appeals for the Third Circuit, overruling both the federal tax collector and a lower court. Facts in the case showed that the device was installed as part of a "take it easy" program ordered by a doctor.

Also, the Court of Appeals said, the fact that the installation had a useful life longer than the tax year in question didn't necessarily make it a capital expense and so not deductible--as the tax collector had argued. Eyeglasses, for example, also have a longer life than a year but are permitted as a deduction, the Court pointed out.

CALENDAR NOTE. Don't let a change of filing dates for gift tax returns, made by the new tax law, lead you into error. The new law sets an April 15 deadline for reporting gifts made in the previous calendar year. But that goes into effect in 1956 for gifts made during 1955. On gifts you made in 1954, the old rule applies--the deadline for filing your return is next March 15.

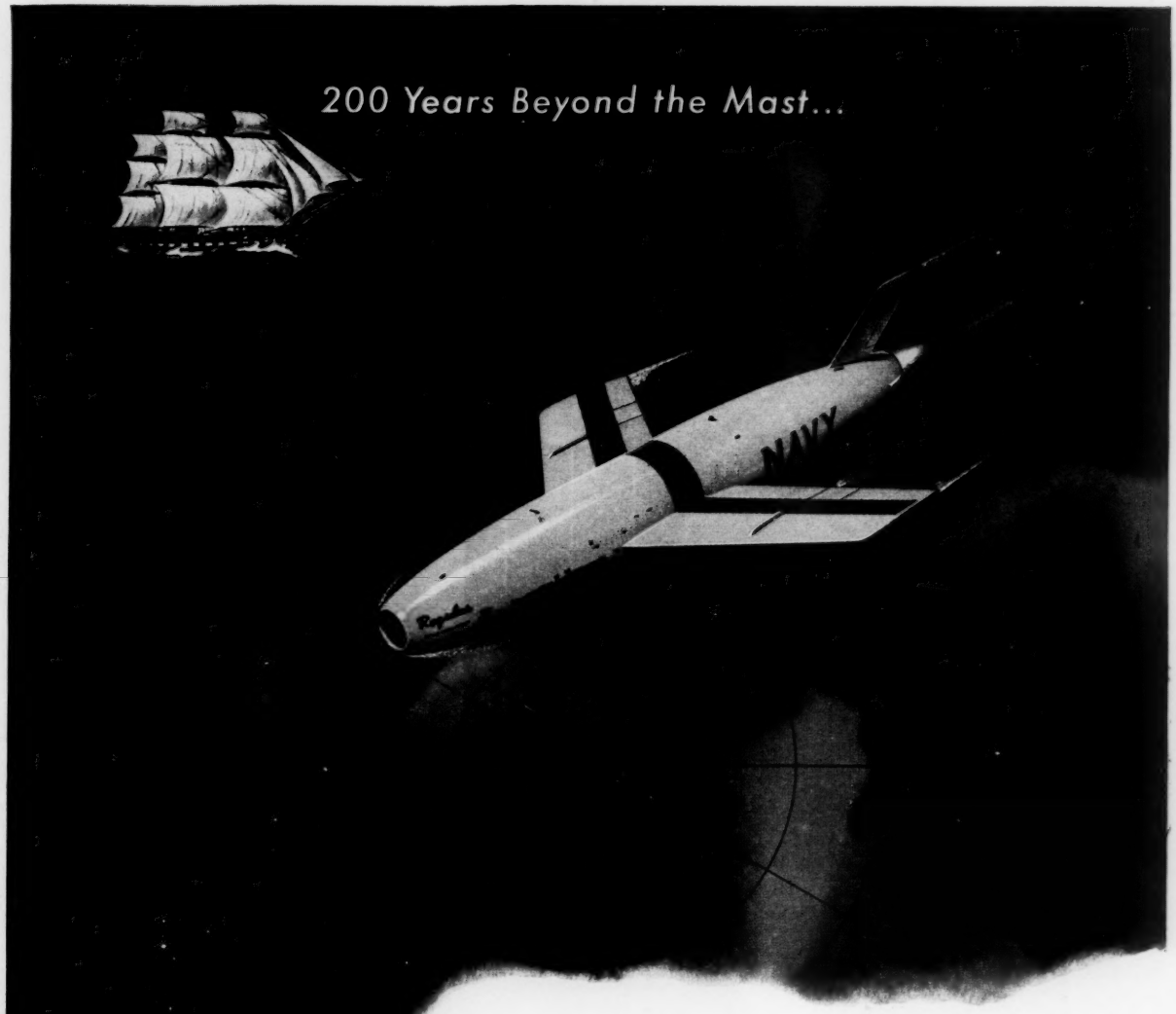
On income tax returns for 1954, though, you have until April 15.

ESTATE TAX. This from a new Internal Revenue Service ruling: The lump-sum Social Security payment that goes to the widow--or whoever pays the burial expense--of someone covered by the old-age insurance system doesn't have to be included in that individual's estate for tax purposes. The reason is, IRS says, that the individual has no control over who gets the payment or how much it will be. That's fixed by law.

JOB GUIDANCE. That high-school boy or girl of yours, toying with career ideas, will have an important new source to look over come mid-March. Around that time a "Health Careers Guidebook"--perhaps one of the most comprehensive reports on occupations in health fields ever undertaken--will be mailed to principals and guidance counselors in all the nation's public and parochial high schools and junior colleges. The "Guidebook," published by the National Health Council, provides information on job opportunities, educational requirements, and earnings outlook for some 156 different medical and public-health occupations.

HEARTS AND EXERCISE. The more physically active you are, the better your chances of avoiding heart attacks that stem from hardening of the arteries. That's the tentative suggestion of studies summed up by a British physician in a journal of the U.S. Public Health Service. He says more medical evidence is needed on the subject, but that bus conductors, for example, have fewer attacks of this kind than bus drivers, postmen fewer than telephone operators, and ex-athletes fewer than non-athletes.

MAIN-DISH MEALS. Tips for building meals around a thrifty main dish come in a newly revised Department of Agriculture publication. It's called "Money-Saving Main Dishes." Single copies free--while supplies last--from the Office of Information, USDA, Washington 25, D.C.



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From the Aleutians to Madagascar, from Greenland to Magellan's Straits, across the 70% of the world that is *deep water*, the Navy's strength is your security. Not only our own shores, but our sea lanes and far-flung bases must be protected.

Today, from ship, shore or submarine, your Navy can launch remotely or automatically controlled missiles, "birds" with built-in "brains" that guide them unerringly to their targets. The Navy's *Regulus*, built by Chance Vought, is more than just a guided missile. It's a symbol of your New Navy's ability to control the seas and the skies above the seas.

Regulus Gets the Most Out of Every Tax Dollar... Designed in its test and training versions with a retractable landing gear, it can be recovered and flown again many times. This unique feature means more crews can be trained and more test data gathered at far less cost. The life expectancy of most missiles is one flight. In contrast, one Regulus missile has flown 15 times!

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Atomic Energy Challenges Business Ingenuity

says Dwight C. Bardwell, Vanderbilt University
Structures, Equipment, and Radiation Consultant in
the field of Atomic Energy

"Atomic energy and other phenomena of nuclear science are certain to be among the major contributors to our scientific and commercial progress in the years immediately ahead.

"Thus far the fact and fiction of military applications have shocked the peoples of the world. The rush for ore and secret veils of cloak and dagger intrigue are reminiscent of commercial conquests of the past. But the certainty of ultimate great social and industrial usefulness is an even greater challenge to the imagination of scientists and the determination of business leaders throughout the country.

"Already, nuclear science has given birth to elements whose radiations are of proven usefulness in treating body ailments and are promising of applicability to food production and preservation.

"Many of the needs for fluid transmission and heat exchange in atomic energy programs have been met by industrial 'know how' assured by proven life performance. Others are requiring extension to new conditions through research and development guided by past experience. The coupling of the new ideas of the scientist in universities and elsewhere with the practical experience of the industrialist is essential for sound progress."

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Everybody likes to spot a 'comer' — early

What Chicago Vote Means for '56

"Regulars" in Control . . . Illinois Safer for Stevenson

Democrats are badly split in Chicago—a split that can be important to Adlai Stevenson in 1956.

Richard J. Daley, a Stevenson man, is on top now, nominated for mayor. In Democratic politics it's a key job in a key city.

If Daley wins he'll be important in next year's Convention. How important depends on the size of his vote on April 5.

CHICAGO

The battle over who is to be mayor of Chicago is getting mixed up with the race for the Democratic presidential nomination in 1956.

It works out this way:

Voters in the Chicago Democratic primary have nominated Richard J. Daley as their candidate for mayor. Mr. Daley has grown up through the big, rough Chicago Democratic organization and is a part of it. He is heir apparent to the mantle of Jacob M. Arvey and the late Mayor Edward J. Kelly as head of the organization.

Mr. Daley also is a personal friend of Adlai E. Stevenson. As Governor, Mr. Stevenson in 1948 made Mr. Daley State revenue director. If he wins the mayoralty in next month's election, Mr. Daley can get the Illinois delegation to the Democratic National Convention in Chicago in 1956 to back Mr. Stevenson for the presidential nomination.

The winning of the mayoralty is not yet a sure thing for Mr. Daley, however. In getting the nomination, he ran roughshod over the wishes of Mayor Martin H. Kennelly, a fellow Democrat who wanted to be renominated but was rejected by the party organization.

There was much bitterness in the primary. Since more than half of the Democrats in the primary voted against Mr. Daley, he has a large-sized job of peacemaking to do before winning the election. Mr. Kennelly and Benjamin S. Adamowski, between them, got 377,000 votes in the primary. Mr. Daley got only 365,000, and a fourth candidate got 4,000.

No Republican since 1931. In spite of this Democratic division, however, the odds favor the election of Mr. Daley on April 5 over the Republican nominee, Robert E. Merriam, 36, a veteran of World War II and a crusading reformer. Not since 1931, in the days of the late William Hale Thompson, have the Republicans elected a mayor of Chicago.

What with the rumpled feelings among Democrats, however, Mr. Merriam is expecting to narrow that margin. Many Democrats think Mayor Kennelly was treated badly by their organization.

Back in 1947, Democratic stock was not too high in Chicago. The organization looked about for a candidate for mayor whose name was respected—one who might be able to hold the city hall for them. They found Mr. Kennelly, a wealthy warehouseman with a reputation for honesty. The organization leaders thought they would be able to dominate him.

They found Mayor Kennelly, in office, to be not as easy as his silver-colored hair and friendly smile indicated he might be. He abolished hundreds of soft jobs that politicians like to have. He insisted upon the use of the merit system in making civil-service promotions. And he tried to eliminate patronage from city purchases. All of this meant trouble with the Democratic organization in Chicago. In December, the organization dumped him and chose Mr. Daley for his spot.

Up the political ladder. Mr. Daley, at 52, has had some 30 years of Chicago politics. He went from law school into a job as secretary to a Cook County treasurer and outlasted four treasurers. In 1936, he went to the legislature, served as Democratic floor leader in the house before moving on to the State senate in 1939. He was deputy county controller in 1948 when Mr. Stevenson made him State revenue director. His latest spot has been as Cook County clerk.

REPUBLICAN MERRIAM . . .

. . . VS. DEMOCRAT DALEY

—Wide World photo

. . . in a city that can swing a key State

Gradually, Mr. Daley has been moving toward the spot that Mr. Arvey has held as leader of the Chicago organization. Mr. Arvey is becoming absorbed in other things, and Mr. Daley appears willing to take his place.

The Chicago Democratic organization is extremely important to the Democratic Party nationally. How well the party works in Chicago often determines whether the Democrats are to win a State-wide election, or get the 27 electoral votes of the State.

With a new leader moving into power, the national officials of the Democratic Party are watching the Chicago developments closely. What happens there can affect not only the drive of Mr. Stevenson for the presidential nomination, but the outcome of the 1956 election itself.

Interview —with GEN. J. LAWTON COLLINS

Head of U. S. Mission to Vietnam

WHAT WE'RE DOING IN INDO-CHINA

With Northern Vietnam already given up to the Communists, what are the chances of saving the rest of Indo-China? And if Southern Vietnam is lost, will all of Southeast Asia fall to the Communists?

For an appraisal of this critical situation, *U. S. News & World Report* interviewed Gen. J. Lawton Collins, former Chief of Staff of the U. S. Army who is now the head of a special diplomatic mission to Southern Vietnam.

General Collins sees a chance—but only a chance—to keep that strategically important area out of Communist hands.

In this interview, General Collins tells what the U. S. is trying to do, and describes the difficulties in an undertaking that may decide the fate of all Southeast Asia.

Q Just what is your mission to Indo-China, General Collins?

A The President sent me out to co-ordinate the activities of all the various agencies which we have in Indo-China—

Q American agencies—

A American agencies, of course. And, as I see it—trying to analyze in my own mind why I was sent—I would say that there possibly were three primary reasons for sending out somebody like myself at the time rather than to send a career ambassador. First of all, it was to dramatize the fact that we're interested in that part of the world, specifically in Vietnam—that we're concerned about the conditions there. Secondly, perhaps to put a little impetus behind the Vietnam Government to get ahead and do something. And, then, thirdly, I assume, to make some kind of military evaluation as to what are the prospects of success.

Q Well, do we have much in Indo-China in the way of Government missions?

A Yes. We've had a Foreign Operations Administration mission for some time. We've spent a considerable bit of money, I don't know how much, in the past in economic aid of one kind or another. And then, of course, we spent a considerable bit of money in assisting the French and the Vietnamese from a military point of view.

Q Do we have a large training group?

A No, we have a relatively small mission which has been concerned, not with training, but with a military-aid program—equipment for the soldiers.

Q Are you confident of success?

A I wouldn't put it as strongly as all that at this moment. But I would say that recently things have picked up. Premier Ngo Dinh Diem has developed a program of social, political and economic reforms which I think, if actually implemented and put into practice and not merely talked about, will give us at least a reasonable chance of success.

Q What chance is there—what time is there to do those things?

A It's a year and a half from now that the elections are scheduled under the final declaration of the Geneva Conference.

Q So, we have about 18 months—

A Right.

Q There are to be elections when?

A In July, 1956.

Q But all the machinery is left wide open to be discussed?

A Wide open. In fact, the only provision that was made at Geneva [in the agreements that ended fighting in Indo-China] is in the final declaration, in Paragraph 7, and it might be advisable for you to print that. It's a very brief statement. It's the only thing that really mentions the question of elections. I have it here:

"The Conference declares that, so far as Vietnam is concerned, the settlement of political problems, effected on the basis of respect for the principles of independence, unity and territorial integrity, shall permit the Vietnamese people to enjoy the fundamental freedoms, guaranteed by democratic institutions established as a result of free general elections by secret ballot.

"In order to ensure that sufficient progress in the restoration of peace has been made, and that all the necessary conditions obtain for free expression of the national will, general elections shall be held in July 1956, under the supervision of an international commission composed of representatives of the Member States of the International Supervisory Commission [that is, India, Poland and Canada], referred to in the agreement of cessation of hostilities. Consultations will be held on this subject between the competent respective authorities of the two zones from the 20 July 1955 onwards."

Now, who the competent authorities of the two zones are

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Aim: Save Vietnam From Communism . . . U. S. Job In Training Army . . . Big Progress by Vietnamese

isn't stipulated here. But it does stipulate that the general elections will be free! But in this regard there is a formidable problem in the North where criminal armed attacks by the Viet Minh against refugees trying to leave that area—as they are permitted to do under the Geneva agreements—and the steady stream of evidence that a typical ruthless Communist police state now exists there, have caused officials and editors throughout the world to question how free elections can be assured in that part of Vietnam. That is the essence of the problem and there seems to be no convincing answer.

Q Might it not be that there won't be any elections?

A I don't know.

Q If there were no elections, wouldn't the country remain divided?

A If there were no elections, it would mean that the country would remain divided.

Q Are American supplies continuing to flow to Indo-China?

A No—and we don't need any more supplies in the way of military equipment now. In fact, there'll be a surplus of equipment left over from what will be required for the residual part of the French Expeditionary Corps, plus the equipment required for the armed forces I hope we will support.

Q Then Indo-China is not an expense to us at the moment?

A It will be an expense, but I mean it won't be an expense in the way of additional military supplies. What will be needed will be support of the military program and a certain amount of economic support.

Q What kind of support do you mean?

A Well, the Vietnam Government can take care of its ordinary operating expenses, and will have something of a surplus, which, of course, they must contribute to whatever defense and extraordinary programs are developed by the French, ourselves, and the Vietnamese working together. But, very frankly, the pay and allowances for the military establishment cannot be borne by the Vietnamese alone.

Q Will that include the French troops?

A I expect we will continue to give a certain amount of aid to the French Expeditionary Corps, but at a much lower scale than was the case during the war. But we will have to furnish support to the Vietnamese armed forces in the way of pay and allowances and assist them in the reorganization and disposition of their forces, and things of that character. Then, on the economic side, we would, I think, continue to support them in major fields such as the resettlement of the refugees and the agrarian-reform program, which is intimately associated with the resettlement of the refugees.

Q Why is it that our responsibility seems to be so great when the British and French, who have vast interests in that area, seem to be doing relatively little?

A We haven't any responsibility which we haven't assumed on our own. I mean nobody is going to make us do this. But, if we are interested in preventing the spread of Communism through Southeast Asia, then this program is one that we should be greatly interested in.

—USN&WR Photo

GEN. J. LAWTON COLLINS

Q Aren't the British interested in that?

A Yes, they certainly are.

Q What if we should neutralize Formosa, for instance? Wouldn't there be a tendency, then, for the Chinese to move southward—and the British and the French are in that area?

A Oh, I don't think there's any direct relationship between the two. Now, mind you, the Manila Pact powers [Australia, France, New Zealand, the Philippines, Thailand, Great Britain and the United States] said that they would put their protective wing around Laos, Cambodia and Vietnam, and that, if there were a reopening of hostilities, they would do something about it. They have said that they would take action in accordance with their constitutional processes.

Q But it probably won't be a military problem. It may be one of infiltration—

A Well, I hope it won't be a military problem. Certainly we are not going to support forces, nor can Vietnam support forces of sufficient strength to guarantee their freedom from external aggression.

The real source of such a guarantee must come from the Manila Pact powers. About all that we will attempt to do,

(Continued on next page)

. . . French mission seeks "way to do business with Reds"

and all that the Vietnamese will attempt to do, is to form forces which will, in connection with the French Expeditionary Corps, provide a screen so that the country cannot be overrun rapidly if they are attacked, and provide time for the Manila Pact powers to take whatever action they contemplate.

Q The West has given up the northern part of the country, then?

A Well, in a sense, yes, because of the Geneva accords. Of course, we didn't subscribe to the Geneva accords, you know.

Q And the Communists made a great gain by that?

A No question about it. They have taken over the whole Red River Delta, you see.

Q Is that the richest part?

A Not necessarily the richest part. The great rice-exporting part of the country is in South Vietnam. As a matter of fact, North Vietnam is overpopulated from the point of view of food supply. They have had to import foodstuffs from South Vietnam into the Red River Delta.

Q Are the French still up in Northern Vietnam?

A They have a small force still in the Haiphong area, but they will have been evacuated by May.

Q Are the businessmen's enterprises still there?

A They still have some enterprises there, but whether they will stay or not is problematical.

Q There are reports that they are negotiating with the Communists—

A There have been negotiations conducted up there under the general aegis of the Sainteny mission [a French mission headed by Jean Sainteny, which is dealing with the Viet Minh government in Hanoi on a *de facto* basis].

Q Is he an official of the French Government?

A His status is not clearly defined, but he is an official representative of the Government.

Q Does he represent the business interests of the country?

A He's speaking possibly for certain business interests. It is reported that he is negotiating with hopes that they can arrive at some kind of a *modus operandi* of doing business with the Communists. There have been press reports of the conditions under which the Viet Minh say they will do business.

Q Are they favorable?

A I think they are lousy.

Q That's peaceful coexistence—

A That's right.

Q That might be a good example of how it works, might it not? Do you know some of the terms?

A It's been some time since I saw the press account and I wouldn't attempt to define them. But, at any rate, as I read them when they were published, they leave a great deal of leeway for the Communists to change their minds about this and that as "subject to negotiation at a later time."

The fact of the matter is that we hear that the Indians up there, the small business people, are going to come out. The Communists have increased their taxes materially just recently. Some of these taxes are semiconfiscatory, that is, it's a capital tax and that has caused an increase in cost of living up there, which the people don't like very well. That is the word that is getting down to South Vietnam. I don't want to appear overoptimistic on this matter, but a year and a half from now it is wholly possible that if real free elections—really conducted under the aegis of an organization like the United Nations, or even an international commission—it is conceivable that if genuinely free elections were held, South Vietnam might win.

Q Is the Army better?

A I think it is. I think in the past month general progress has been made by Premier Diem. The thing is by no means finished, of course. But, in the first place, they now have gotten rid of General Hinh, the Chief of Staff who, when I arrived, was openly defying the President of the Council and attacking him on an Army radio—partly financed by U. S. funds, incidentally.

Q Did they pull the radio out from under him?

A Well, they managed to stop that. General Hinh finally left the country and then he defied Bao Dai [Chief of State in Vietnam] in Paris. So, Bao Dai has relieved him. Now, since his departure, I think the Army has gotten behind the Government. They have pledged loyalty to the Government.

—Baumgardner

PREMIER NGO DINH DIEM
". . . up against a tremendously tough job"

Premier Diem has changed his rather inflexible approach toward the military services since then. It's on a pretty good footing now. The man who formerly was temporarily appointed as Chief of Staff is now the Inspector General of the Army, but he's got real powers, and he will supervise training, and things of that character. So, Premier Diem has the Army behind him. He's come up with a program for resettlement of these refugees; he's come up with an agrarian-reform program; he's announced, or will shortly announce, a program for a provisional national assembly, which is a great progressive step forward.

Since the quadripartite meetings in Paris recently, that is between France, Laos, Cambodia and Vietnam, have been satisfactorily completed, it has resulted in giving economic freedom to Laos, Cambodia and free Vietnam. They each now have their own national bank and, contrary to the dire

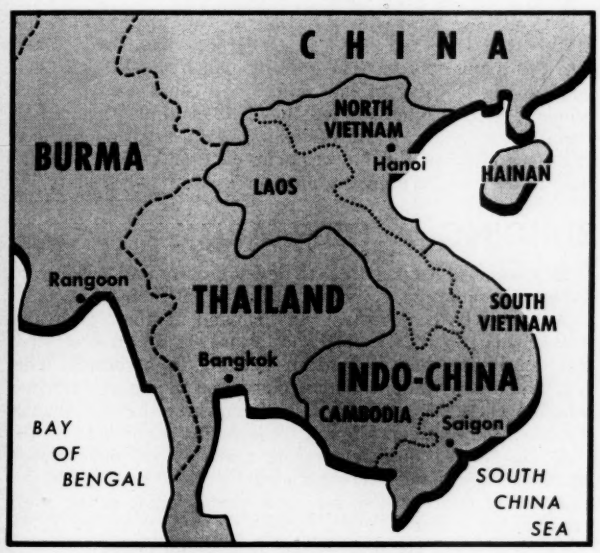
predictions of some people, there wasn't a collapse and there wasn't any inflation when the Bank of Vietnam was set up.

Q We are encouraging all of this, aren't we?

A That's right. And I'd like to stress this point here: We are not doing this alone by any matter of means. The credit for the progress that has been made should go primarily to Premier Diem. He's still feeling his way, but he's making real progress. But the French and ourselves are working together, and as long as we stay behind him and both of us work faithfully and fully to support his Government, then there is a chance that he will succeed.

Q Where do India's interests begin?

A I would say that India's interests ought to begin right now. Certainly Indian culture has permeated Thailand and Cambodia in generations past, and if the Communists get up against the Mekong River, which is the last big natural



VIETNAM AND ITS NEIGHBORS

"The Communist enemy . . . can be effectively resisted"

obstacle in that part of the world, then I would think that the Indians would be a bit concerned.

Q Is Premier Diem emerging as the opposite number of Ho Chi Minh, head of the Communists in North Indo-China? Is he the man that you can rally around?

A Oh, surely. You see, this fellow Diem is a nationalist in his own right, and he has never compromised himself. When you meet him, you think he's inexperienced and he is, in certain respects—but he's shrewder than you might think. For example, Bao Dai asked him—so a book that I read says—asked him to head the Government at the time when the Japanese were just about to evacuate. He refused to head the Government because the Japanese were still there. He kept out of the Government. Now—like a lot of other people—he supported Ho Chi Minh before Ho Chi Minh broke and displayed his true colors as a Communist.

Q What are the qualifications of Diem that make him the best bet as a rallying point?

A Well, first of all, he's a sincere, honest, and dedicated man. He is really a dedicated and able man, who is seeking nothing for himself but for the Vietnamese. He's a real nationalist. He believes in the freedom of Vietnam and has fought for the freedom of Vietnam consistently and he has never wavered. He didn't compromise with the Japanese, he refused to compromise with Ho Chi Minh. He's never compromised with the French.

Q Well, how is Ho Chi Minh? Is he a strong figure in the North?

A Oh, surely. There's no question about that. He dominates everything up there.

Q Does he have any amount of following in the South?

A He has a certain amount of following, unquestionably, throughout the country, because until now there has not been a strong leader for the nationalists except the Communist Ho Chi Minh, whose real loyalties are to Peiping and Moscow and a discredited ideology.

Q He's opposed to the French—

A He's opposed to the French.

Q He seems to be the victor, then, at this point?

A Well, he's victor up in the North.

Q If we lose Vietnam, is that whole area of Asia in danger?

A It would certainly be in danger. I don't think that it necessarily follows that, if you lose Vietnam, you have to lose all the rest of it. Certainly though, if Vietnam goes, it would give pause to the British Commonwealth.

Q Isn't that a sort of a band-wagon movement on the Communist side—to make it look as if the whole place is going?

A Well, of course, psychologically it would be a great boon to the Communists if South Vietnam would collapse.

Q Does South Vietnam have to hold its frontiers against only North Vietnam—not a Chinese invasion, but only North Vietnam?

A No. I would say the forces that free Vietnam is going to organize which will be purely for defensive purposes would never be as great as those which the Viet Minh, with Chinese aid, could organize. No attempt is going to be made by the Vietnamese Government to organize forces which would be strong enough in themselves to protect the country. They can't afford it. And therefore, as I said earlier, they really are dependent on the support of the outside world to prevent open aggression from again taking place.

Q That could be another Korean war, then, couldn't it? Wouldn't that open up a bigger war?

A It would tend to. There would be that threat.

Q Maybe the British and the others won't back us up?

A Well, at least they made a declaration under the Manila Pact that they will take appropriate action—

Q But they have never defined "appropriate action"?

A No. But you can't attack the British now. We haven't done anything, either.

Q But we don't have any real estate over there—

A No, but we don't have any real estate in France, either.

Q How are the relations between the Vietnamese and the French? Have they improved?

A Well, the intellectuals among the Vietnamese wanted their independence. Now, France has finally really given them their independence. Actually, today Vietnam is free.

(Continued on next page)

. . . "The Vietnamese can be made into good troops"

They have their own Government; they now have their own banks, their own fiscal system; they will control their exports and imports.

Q In the country, don't you still see the French walking around in one capacity or another?

A Yes. And, actually, the run-of-the-mine Vietnamese doesn't mind that at all. I've seen no signs of people, for instance, being pushed off the sidewalks in Saigon, or anything resembling that. Of course, they've had some very bad incidents in Saigon—both sides—within recent years since the war. But I mean today you see no bitter anti-French sentiment among the average people.

Q The French troops are still there?

A Yes.

Q So long as they know the French are leaving—

A Yes. And they know the French are withdrawing their forces. A certain number of French forces have already been withdrawn and others will be.

VIETNAMESE AT TOP—

Q What people are the actual administrators—the judges, civil servants, and so forth? Are they French or are they Vietnamese?

A The top ones are all Vietnamese. However, there are French people that are assistants throughout the various echelons of the Government, and, frankly, they have to stay there for some time to aid and advise the Vietnamese. We will use a certain number of them also under our economic program.

Q Are the people that an average person in Saigon would deal with—are they French people?

A No, all Vietnamese.

Q Is our main channel of aid to them through Foreign Operations Administration?

A That's right.

Q Does that expire this July?

A Well, the FOA would expire this July, but, if the aid is going to be continued, it would have to be done through some other agency of the Government, if FOA is not going to be continued.

Q What about Lieut. Gen. John O'Daniel—just what function does he perform? How many people does he have with him?

A He is the head of our MAAG, the Military Assistance Advisory Group—General O'Daniel has been concerned prior to the Geneva accords solely in getting equipment to the French Expeditionary Corps and to the Vietnamese. Now, if we consummate this agreement on training, he will take over the responsibility for the supervising of the training.

Q Will we put in new officers to help him?

A We would not exceed the number who were in Vietnam on the day the armistice was signed. That's in accordance with the Geneva accords.

Q Will the Vietnamese make good troops?

A They can be made into good troops—there are good troops among them.

Q How do they raise their Army—is there a draft system?

A There is a draft—I wouldn't say it's a system. That is one of the things that should be worked out with the Vietnamese.

Q How about these private armies?

A When I came to Vietnam, there were five armies, all told. There was the National Army itself, with a Chief of Staff defying the President of the Council. The sects have their own private armies. The Hoa Hao are a sect which lives in a certain area in South Vietnam. There's the Cao Dai, another religious sect, which has its private army. Then there is the Binh Xuyen, which is a group of gentlemen that have been organized for their own benefit, and have been given charge of police forces in the country. That was four, and there was another militia being formed by the people who came down from the North.

One of the things we said right off the bat was that we would support only one army and only if that army was loyal to the President. I had to make a public statement to that effect and I think that had a certain effect in helping General Hinh make up his mind to leave.

Q Do they join the Army just to get something to eat, or get paid, or is it for national sentiment?

A Well, it's a combination of the two—but they do get paid very well, as a matter of fact.

Q Is it all one army now?

A No, these sects still have their private armies, but part of the Hoa Hao and the Cao Dai troops have been taken into the regular forces. The subsidy which the French have been giving to these private armies will cease and the Government of free Vietnam will have to continue that aid to them for a certain period of time. The fact that such funds are controlled by the Government of free Vietnam should help foster a single unified armed force.

BUILDING A NEW ARMY—

Q I suppose it takes time to develop unity and patriotism. Whether you would get good armies out of them—

A The system now will be changed if they gradually evolve what they have proposed—a kind of selective service. But mind you, these people are starting from scratch. This is a brand-new, independent country. So if you are worried whether Diem can do it or not, just remember he's up against a tremendously tough job and we're taking a chance.

Q Up North, those fellows are pretty much professionals by now. They've been through a war—

A So, of course, there are some professionals in the Vietnamese Army, also.

Q How many are they aiming to get into uniform?

A The figures on this I don't want to give now.

Actually, what we will support, ultimately, is going to be a larger force than I recommended at first. I think that's to the good because it indicates that we're not trying to dictate to these people. They've convinced me, and I congratulated young Mr. Minh [Vietnam's Defense Minister, Ho Thong Minh] the other day and said, "Young fellow, I congratulate you on having convinced me that your proposal is a sound one, and I'm going to support something bigger than I recommended originally."

I hope now that Diem can announce these programs. So I'm not going to give you the details on that, and I hope that as soon as we can consummate the details with Diem, we'll make a public announcement. What we're trying to do is help him, and, if people in Vietnam see that it is Diem—not a bunch of Americans, not a bunch of Frenchmen—who is really running the country, then he's got a chance of getting these Cao Dai and these Hoa Hao and these Binh Xuyen members to get behind him, instead of fighting him all the time.

. . . "Average person interested in next meal—not Communism"

Q They have been tending to go off in all directions?

A Oh, sure, up until now the sects had their little private empires. They collected their own taxes, they had their own armies, and so on.

Q What if the Commies come down?

A That's what I keep telling them—the alternative to Diem is Ho Chi Minh. I wonder how long they could last under a Ho Chi Minh regime? Not very long.

Q You mentioned General Ely. Will you tell us what his position is?

A Well, Ely is doing, in my opinion, a fine job for France and for Vietnam and for the rest of the world. Fortunately, I've known General Ely before. He was the French representative on the Standing Group of NATO, and then later he became the Chairman of the Joint Chiefs of Staff in France. So nobody could question his loyalty to France and his very fine ability.

We have worked intimately together in developing these recommendations we are presenting and discussing with the Vietnamese Government. It's been a co-operative effort of the highest order and I've nothing but praise for the way General Ely has assisted the Vietnamese and assisted us in developing these programs. I'm sure that as long as he remains in Vietnam we're going to have a fine, co-operative arrangement. Very frankly, this business of training with a mixed group of French instructors and U. S. instructors is a difficult thing to make work.

HOW U. S. WILL HELP—

Q Will we take over entirely soon?

A We will take over the responsibility for the training, but the instructors themselves will include some Americans and some Frenchmen. We can't provide them all. We don't have the numbers to do it, and therefore the results will depend upon the faithful and loyal co-operation of both groups, under the direction of the Chief of MAAG, and he in turn is under General Ely.

Q Are we going to get all of our equipment out of the North?

A Every bit of it. I was up in Haiphong recently and I assure you the warehouses are empty. We're even taking out equipment that is not in movable condition. It needs Fourth Echelon Maintenance, but it's going to be taken out. We will have all of our equipment.

Q There's a large amount of it?

A It's more than enough, and we've made an agreement with the French that in view of the fact their forces and those of the Vietnamese are being scaled down, any surplus equipment will be taken out by us.

Q It will come back to us?

A Yes. And that definite agreement has been made.

Q What kind of weapons can the Vietnamese handle? Can they handle tanks?

A Oh, sure. They can handle anything—artillery, and so on.

Q How about airplanes?

A They have only light planes, and we will not attempt to build up any combat Air Force. It will be a small Air Force that will be used for liaison purposes, observation and adjustment of fire—that kind of thing. And similarly, a small Navy, which will be needed for coastal security purposes.

Q Is there any feeling that the North may just come rolling down over the South? Or, if they do bring on pressure, is it likely to be rather gradual?

A Well, they can't come rolling down under the provisions of this armistice.

Q Oh, they've violated lots of armistices—

A I know, but once again now—if they violate the cease-fire, then the Manila Pact can be invoked.

BIG JOB FOR NAVIES—

Q Will you tell us what part the U. S. Navy played in moving the people from the North?

A They've done a wonderful job, in moving out refugees from the North. But, at the same time that I pay tribute to the splendid job that has been done by our Navy, I think we of America must recognize the fact that twice as many refugees have been brought out by the French Navy, and that has not been publicized in the United States.

The job could not have been done without the active and able co-operation not only of the French Navy but of the French Army, also, which planned this operation, which helped to receive these people, supervised the construction of the camps, organized it and everything else. And a man by the name of General Gambiez is the man under General Ely's direction who handled that phase of this exodus from the North.

Q Is there a feeling that Communism is a way of the future in Southeast Asia?

A I don't think that is necessarily so. The average person in Southeast Asia doesn't know much about Communism. He's interested in where he's going to get his next meal, whether he is going to have a decent shelter for his family. That is the reason why I think that if this agrarian-reform program of Diem's works out, gets beyond the talking stage and is really implemented, he can demonstrate to the people that his Government is looking after the welfare of the ordinary poor people, the common peasant of Vietnam, that will be one of the finest things that could be done to combat Communism.

Q But the landlords probably won't give up much—

A But Diem's got authority now, you see, to put out an ordinance of this character, and the French will support it and we'll support it—and it will work.

Q Has he moved out into the country yet, or is he still largely concerned with government through Saigon and the metropolitan area?

A No, he's actually gotten out into the countryside.

Q To the Catholic settlements?

A Oh yes. It was a very successful trip.

Q Did Diem fly down?

A Yes, and got on a boat and went by barge and then by automobile to his final destination where he saw what was going on. He's been up to central Vietnam and he's been up to the northern part of free Vietnam now. And he's getting out into the countryside and is being well received. And the best reception that he had in central Vietnam was in an area that has been under Viet Minh control for the last eight years. He got a genuinely enthusiastic reception there. It was not staged—it was genuine. The Paris correspondent of *Figaro* said that it was really the most spontaneous thing that he had seen in many years in the Orient.

(Continued on next page)

. . . "We're having to take leadership in all parts of the world"

Q Is it true some French businessmen question our intentions?

A I would like to be able to convince the French businessmen that we're not in Indo-China to interfere with their business. The only reason for our being in the area is to try to save Vietnam from Communism because we believe in freedom, and we believe it will add to the security of the whole free world if this place can be saved. And that's the only reason why we are there.

We are also convinced that French businessmen in the long run will have a far better chance of maintaining their trade with Vietnam if they trade with free people than if they trade with people who are subordinated to a totalitarian rule such as that existing under Ho Chi Minh.

WHY BUSINESSMEN FEAR U. S.—

Q Have they got large investments out there?

A Oh, yes, they've got large investments out there. They're entitled in my judgment to some preferential treatment. If they go about it properly, they can get such preferential treatment from the Government of free Vietnam.

Q Not from the North, necessarily?

A No, from the South—I'm only talking about free Vietnam.

Q But up North, the French have investments, too?

A Oh, yes, they've got investments up there, also.

Q Are they still hoping to save those?

A Well, they're hoping to.

Q Do they think we're trying to supersede them commercially in the South?

A Some of them think we're trying to supersede them. But I assured them that we're not stipulating the manner in which, or the place where, our money must be spent. We're not saying that Vietnam must spend this money in the United States. That's going to be up to the Vietnamese to use it in the free markets of the world.

Now, needless to say, the Vietnamese are going to trade with the Japanese, they will trade with the Philippines—they will trade with anybody who can give them a fair deal for what they wish. They are willing to give special treatment in certain areas, at any rate, to the French. But the French must expect to compete with the other peoples out in that area for the business of Vietnam.

Q Why should we have to take the full responsibility?

A We're not taking the full responsibility.

Q But we are playing a leading part there in training and economic assistance?

A There is no doubt about that, but the reason for that is that we are in a position of world leadership. It isn't anything peculiar to this area. We're having to take leadership in all parts of the world to help free people maintain their freedom against Communism.

Q We try to do that and our allies jump on our necks—

A I don't know—I hope they won't jump on our necks because we help Vietnam remain free.

Q Do the Vietnamese welcome having us out there?

A They do welcome us.

Q Do they suspect our motives?

A No, they welcome us. There is no question about it.

Q Is your assignment indefinite?

A There is no fixed time, but it is a temporary assignment. However, it has given me great satisfaction to contribute what I could toward helping free Vietnam strengthen itself. The Communist enemy, which has taken over the northern part of the country, can be effectively resisted only if the Vietnamese themselves and all free men of good will associated with them are determined that Vietnam must remain within the community of free nations.

Q What about the refugee program?

A It is one of the key things we have to deal with in Indo-China. There are over 800,000 acres of untilled rice lands that must be put in cultivation by next March, when the planting season begins. The program will be to move these refugees as well as those being discharged from the services onto this unused land. The Government has a land-reform program now which will permit that if we assist them.

There's a new ordinance, which Premier Diem announced just the other day, which will establish new and fairer relationships between the landlords and the tenants as to the amount of rentals, and so forth. This program also provides for taking over land, which is unused because of the fact that the Viet Minh interfered with its use—it's owned in many instances by absentee landlords who are out of the country. The Government will take over this land and then for the first three years the new tenants will have to pay no taxes. The first year the tenants pay the owner nothing for the use of the land. The second year they will pay but half of the newly established normal rent, which has been reduced by ordinance to 50 per cent of that which previously prevailed. The third year, and thereafter, the tenants will pay the full amount of this new normal rent.

We expect the Government will set up agricultural-credit banks which will permit these people to finance themselves and pay a certain amount toward acquiring ownership of the land in a period of, say, 15 or 20 years, however it works out. So that this will be a genuine social improvement of major importance.

Q It is an ambitious thing—

A It is an ambitious thing, but it is something genuine that will counter the Communist pretense of doing something for the common man.

Q Why are we having to help finance all this? Why don't the French do it?

A They are helping. The French are giving a certain amount of economic aid, though it won't compare to the amount that we will give.

FRENCH WANT TO STAY—

Q Are the French planning to stay in that part of the country?

A Unquestionably, they would like to stay.

Q Are they keeping military forces there?

A They will for this year. How long and how many after this year is problematical.

Q You mean they may withdraw? How many troops do they have there?

A Well, they have over 100,000 there now, but they will scale that down during this current year. I don't think their plans are yet finalized. I also think, there is some question in the minds of the people about the desirability of their getting out immediately. It would be a serious blow to the Vietnamese if the French were to withdraw completely right now, because the French forces are a great stabilizing influence there. There's no doubt about that.

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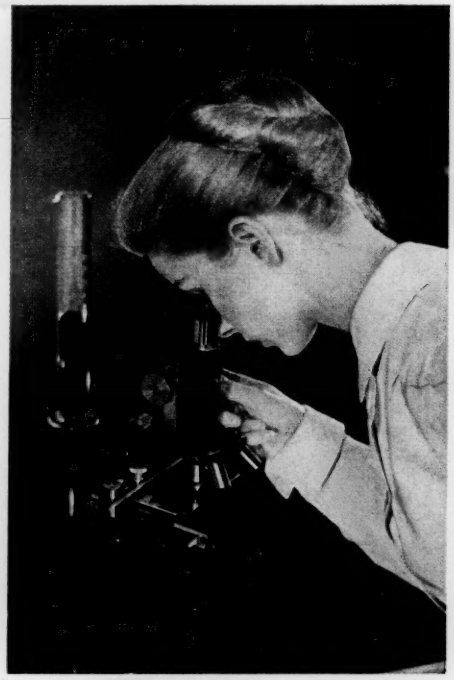

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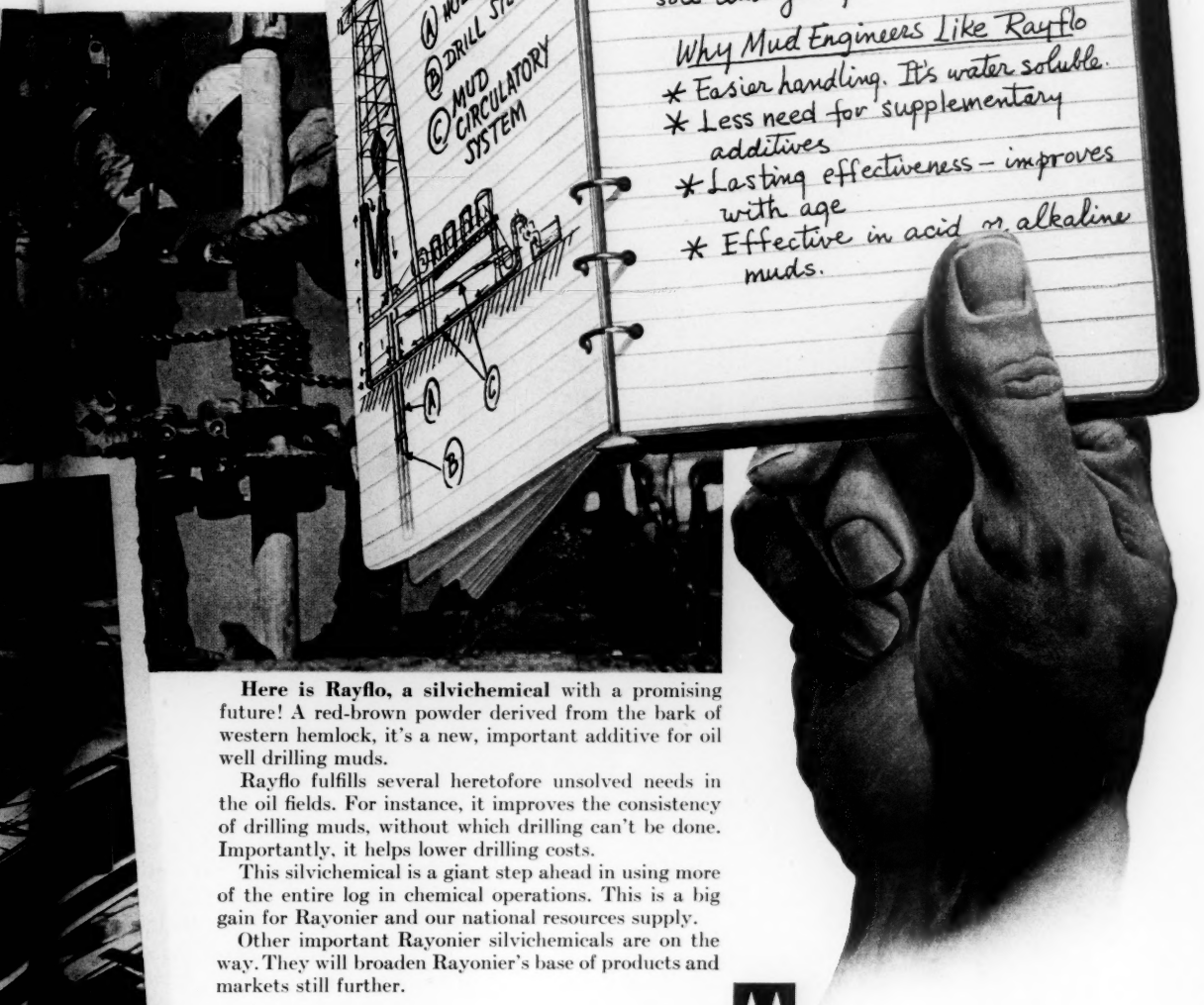
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* Effective in acid or alkaline muds.
(A) HOLE
(B) DRILL STEM
(C) MUD CIRCULATORY SYSTEM

Here is Rayflo, a silvichemical with a promising future! A red-brown powder derived from the bark of western hemlock, it's a new, important additive for oil well drilling muds.

Rayflo fulfills several heretofore unsolved needs in the oil fields. For instance, it improves the consistency of drilling muds, without which drilling can't be done. Importantly, it helps lower drilling costs.

This silvichemical is a giant step ahead in using more of the entire log in chemical operations. This is a big gain for Rayonier and our national resources supply.

Other important Rayonier silvichemicals are on the way. They will broaden Rayonier's base of products and markets still further.

cellulose chemistry

RAYONIER
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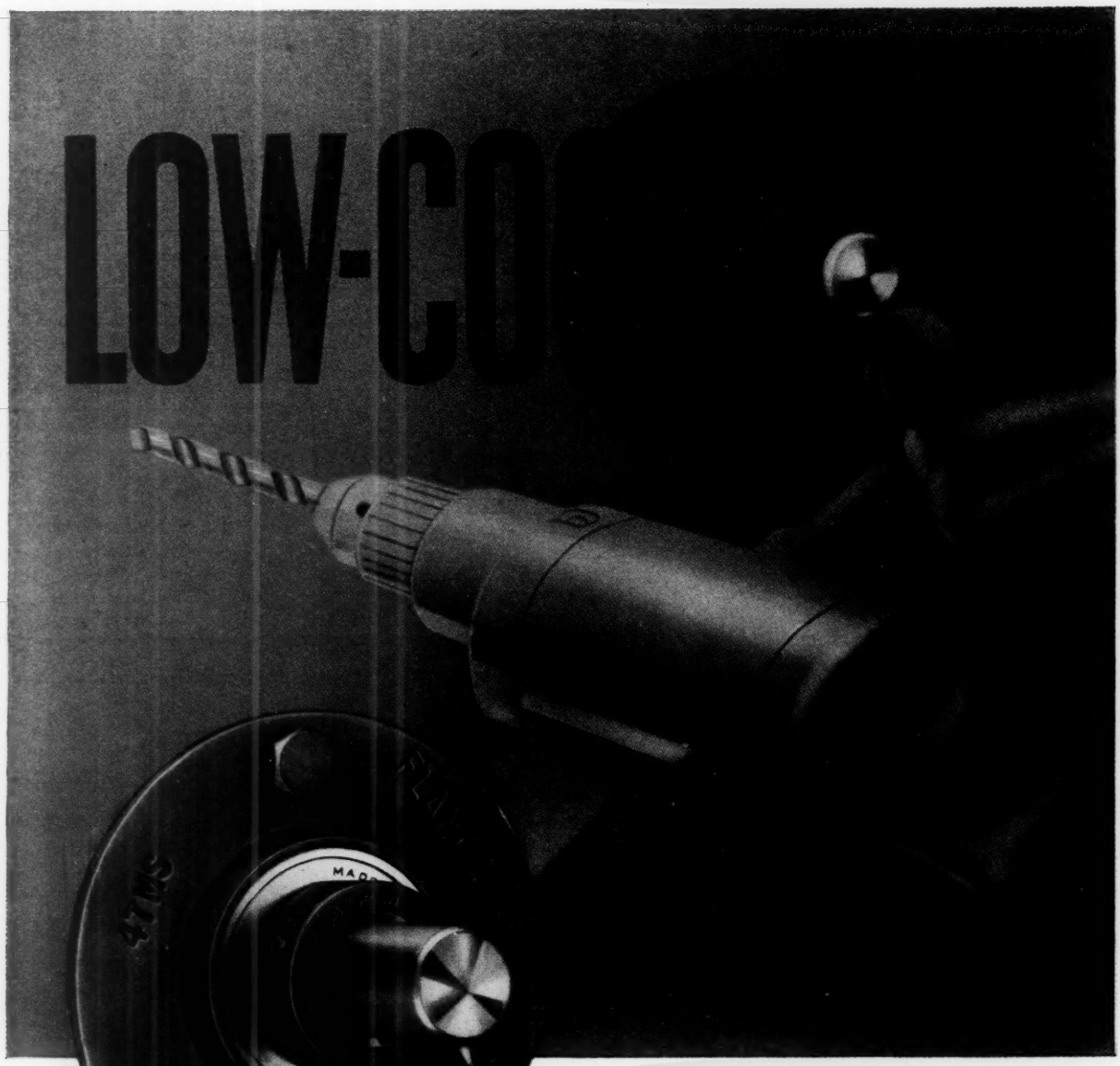
Executive and General Sales Offices: 161 East 42nd Street, New York 17, N.Y.

An attitude and an aptitude for solving bearing problems . . .



Fafnir Flangette, a pre-lubricated, completely packaged unit.

FAFNIR

BALL BEARINGS

To break the cost barrier limiting the use of ball bearings on farm equipment, Fafnir developed the Flangette, a unique ball bearing power transmission unit. Its initial cost is low. Its simplified construction assures easiest installation and removal. Costs are lowered two ways.

The Flangette is typical of Fafnir developments made possible by an experience which is over 40 years long and industry wide. Maybe this "economy package" or some similar Fafnir Development can help you break a cost-barrier. The Fafnir Bearing Co., New Britain, Conn.

MOST COMPLETE LINE IN AMERICA

We've Been Asked:

ABOUT STOCK SPLITS

- Stock splits are big news in the stock markets today.
- Rumors of splits are pounced on by investors. Official word often is followed by a price rise.
- Yet basic facts about splits are not widely known.

What is meant by a "stock split?"
Stockholders, when shares are split, are given additional shares in some multiple of the units they hold. They may get one or two extra shares for every one held; or it may be an extra half share for every share held. There are various combinations.

How is this done?
Say Company X has a million shares outstanding. Suppose the board of directors decides on a 2-for-1 split, and shareholders agree. That means the number of shares is going to be doubled to 2 million. A shareholder who has 100 shares will be mailed an additional 100. Or, in some cases, he may be asked to turn in his 100 old shares and get 200 new ones.

Doesn't this mean that each share then is worth less money?
Yes, this is the case, because the same amount of assets and earnings then is divided among a larger number of shares. Suppose book value of Company X stock is $50 per share; after a 2-for-1 split, it will have a book value of $25.

Then why does the market price often go up on announcement that the stock is going to be split?
There are two reasons for this. First, investors figure there will be a more active market for the stock after it is split. The price tag on the new shares will be somewhat lower, hence more attractive to some buyers. The greater number of shares is expected to lead to wider interest. As a rule, some stockholders will sell their additional shares, instead of keeping them; thus more investors will be brought into the company.

What is the other reason for price rises in case of splits?
Frequently, the company plans to pay out more dollars in dividends—though at a lower rate per share—after the split. Suppose Company X has been paying out 5 million dollars a year on its million shares or $5 per share. When it splits 2-for-1, it may decide to pay out $2.75 per share on the new stock, for a total of 5.5 million. This is equivalent to $5.50 on the old stock.

Is that always done?
No, but it is common in prosperous times like these. There are some cases of splits that have no effect on money paid out for dividends, however. This would be true if a company paid $5 per share before a 2-for-1 split and $2.50 per share afterwards.

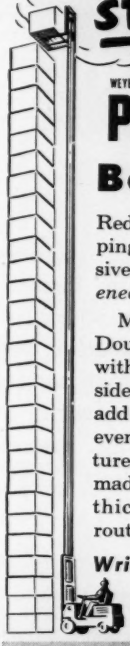
Why do companies split their stocks?
The chief reason is to broaden the market. Also, at a time when splits are popular, it is an inexpensive way to please the stockholder.

Is a stock split the same as a stock dividend?
No. A stock dividend generally involves fewer new shares. And it is more likely to bear a definite relation to earnings; this is required in some cases by the stock exchanges. In other words, a company may be required to earn 5 per cent in cash in order to distribute a 5 per cent dividend in new shares. Also, when a company pays a stock dividend it changes its balance sheet, shifting funds from earned surplus to capital stocks.

Are stock dividends decided on the same basis as stock splits?
The stock dividend usually is paid because the company feels it must be careful in paying cash dividends. This may be due to a business reverse, or the prospect of some heavy needs, or just the nature of the industry. For instance, stock insurance companies often pay small amounts in cash, supplemented by stock dividends. The stock dividend is intended to make up for the small payment in cash.

Do you pay federal income tax on common stock from a split?
As a general rule, no—the transaction is regarded merely as a change in your cost. If you paid $50 per share and your stock is split 2-for-1, you then recompute your cost of the stock at $25 per share. When you sell any of the stock, the difference between $25 and the price you get is taxed as a capital gain, if you make a profit. If you get less than your new cost, you are credited with a loss.

NEED STACKING STRENGTH?



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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

STOCKING-UP TREND: A BOON TO BUSINESS

Businessmen are starting to stock up. Brisk sales force them to lay in bigger supplies.

Result: Manufacturers getting more business; steel output is up more than expected; auto plants are booming; restocking spreads to other lines.

The nation's factories are getting a double lift this year.

Consumers are giving output one boost by buying more cars, appliances, food and clothing.

Businessmen are giving it another boost by adding to their stocks of goods.

This stocking up does not appear, as yet, in the official figures. But there is no doubt that it is getting under way.

The accompanying chart gives you one main reason: Supplies were allowed to shrink during the slack months of late 1953 and early 1954. Now, with sales rising, many stores, warehouses and plants find they are not too well prepared to take care of their customers.

The other reason, powerful in a few industries, is a feeling that there may be shortages in case of major strikes or renewed Far Eastern fighting.

This stimulation from inventory buying is not an unmixed blessing. It could spell trouble later on. Building up inventories has to end some day.

At times like the present, businessmen buy more than they sell in order to fill their shelves. Production gets an extra lift. Then, when the shelves are filled, buying is reduced to a replacement level. The resulting drop in orders tends to be a drag on production.

There is no immediate prospect of a letdown, however. Right now, inventory buying is regarded as a business booster.

Where stocking up is heavy. You see that most clearly in the auto business. Sales to motorists are excellent. In addition, there is some worry about possible strikes late in the spring.

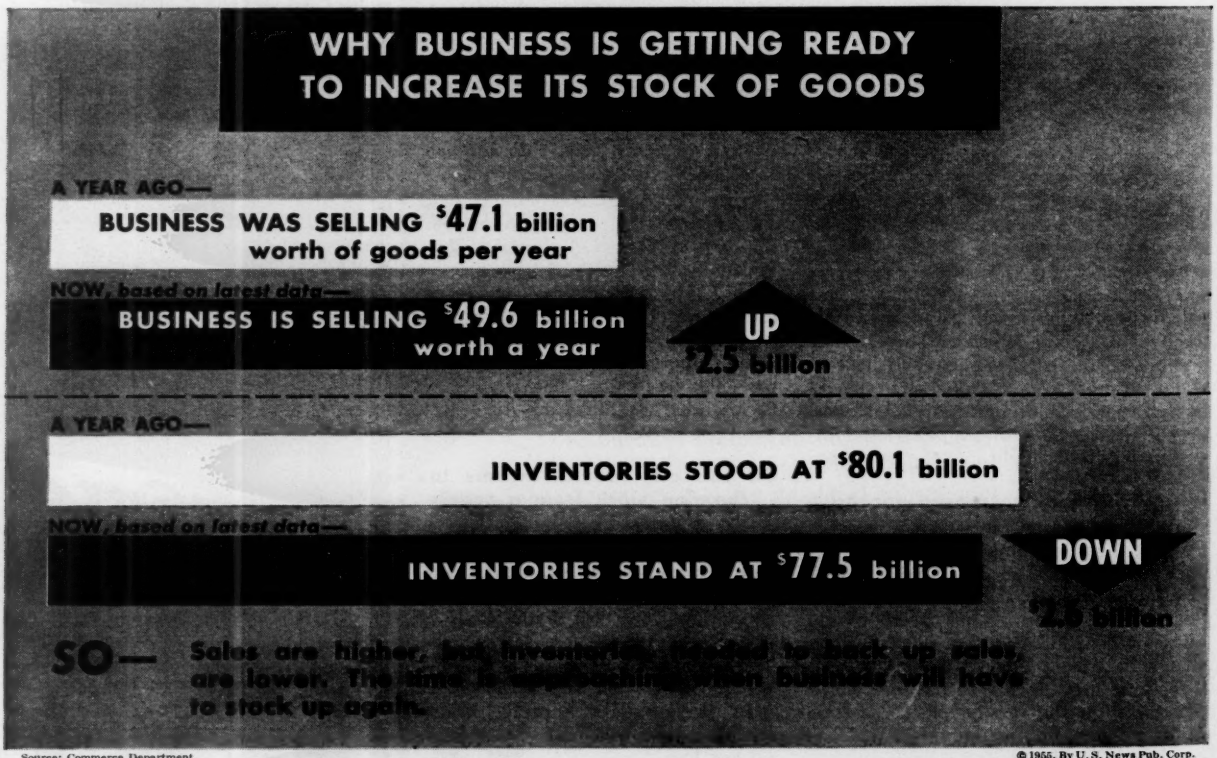
Production of cars is running ahead of sales, high as they are, and the dealers' supply of new cars is increasing rapidly.

Dealers had around 250,000 new cars at the end of last October, about 352,000 at the first of this year, and 480,000 on February 1. Some officials in the industry believe this inventory figure soon will pass the record of 678,000 set in May, 1954.

The fast pace of auto output has helped put a pinch on supplies of certain steel products, especially sheets and bars. As some steel officials warned, the concerns that use steel are finding that what they thought of as an ample inventory, when demand was slack, is too small now.

A few months ago, fabricators could count on getting most types of steel in about six weeks from the time of ordering. Now they are finding that it takes

(Continued on page 96)


WHY BUSINESS IS GETTING READY TO INCREASE ITS STOCK OF GOODS
A YEAR AGO—
BUSINESS WAS SELLING $47.1 billion worth of goods per year
NOW, based on latest data—
BUSINESS IS SELLING $49.6 billion worth a year
UP $2.5 billion
A YEAR AGO—
INVENTORIES STOOD AT $80.1 billion
NOW, based on latest data—
INVENTORIES STAND AT $77.5 billion
DOWN $2.6 billion
SO— Sales are higher, but inventories reduced to back up sales, are lower. The time is approaching when business will have to stock up again.

Source: Commerce Department

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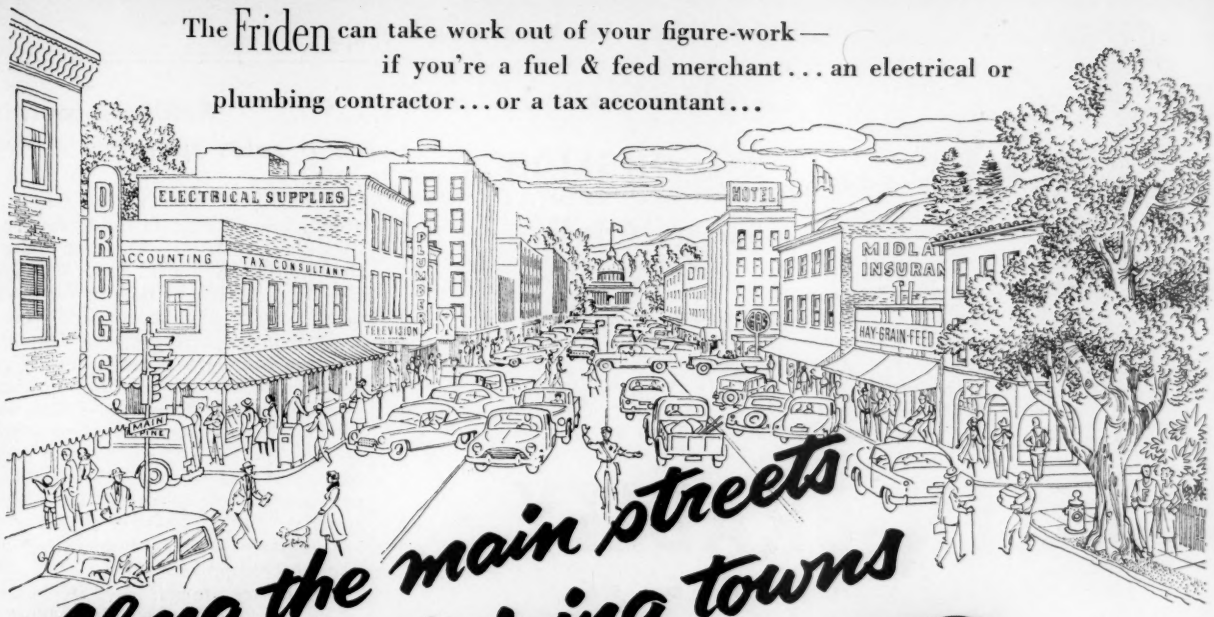
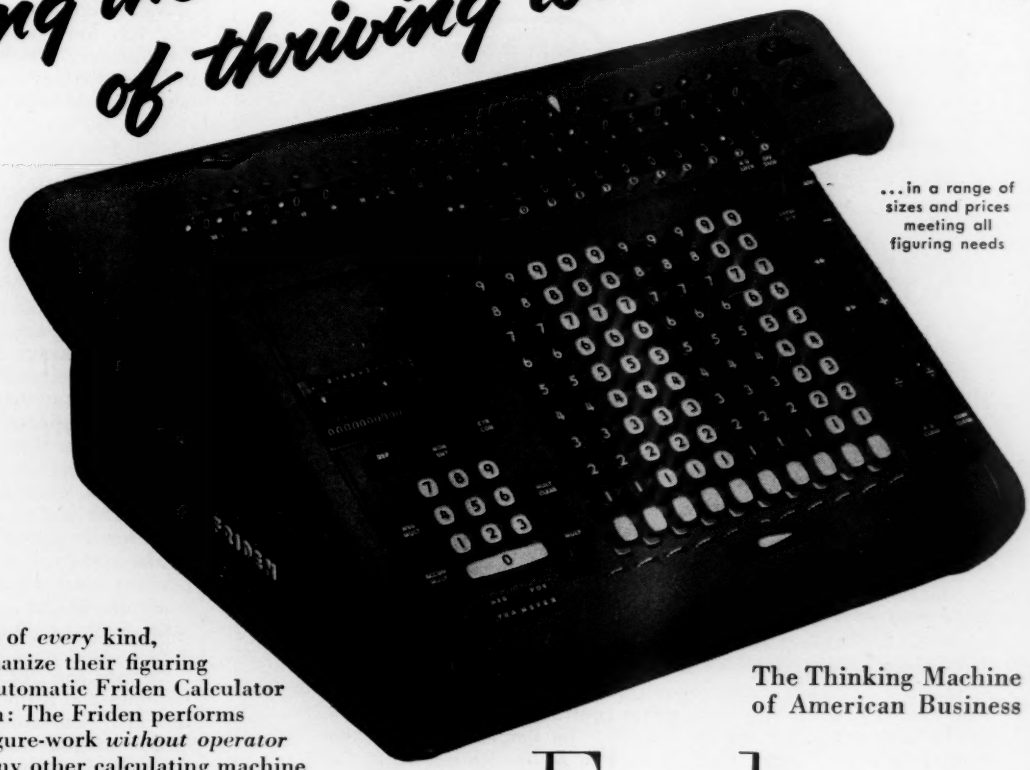


Along the main streets of thriving towns



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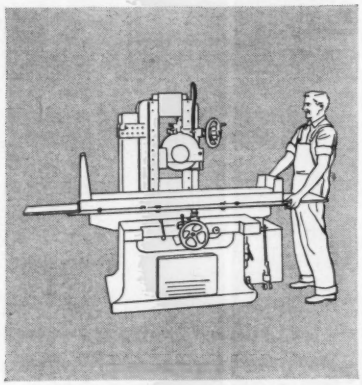
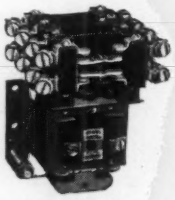
QUALITY MOTOR CONTROL MEANS PRECISION PERFORMANCE



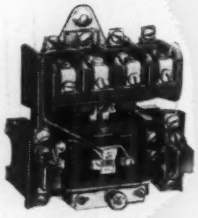
GALLMEYER & LIVINGSTON Surface Grinder *operated by*

ALLEN-BRADLEY

MOTOR CONTROLS



Bulletin 700 Universal Relay



Bulletin 709, Size 0, Automatic Across-the-line Starter

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The Sign of quality motor controls

Whatever is needed in electric motor controls, Allen-Bradley has the quality answer to your design problem. The simple design of Allen-Bradley Solenoid Relays, Contactors, and Motor Starters—only ONE moving part—is your assurance of millions of trouble free operations. Furthermore, double break, silver alloy contacts require no maintenance . . . you can install Allen-Bradley starters and forget them.

Starters so reliable deserve your recognition. For your own control needs, it will pay you to invest in Allen-Bradley QUALITY control.

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ALLEN-BRADLEY

Quality Motor Controls

are a sales asset to any motorized machine

Retailers counting on a sales spurt . . .

two months or more to get delivery. A 45-day supply is not adequate any longer.

Orders are being placed to build up these shrunken stocks. Steel warehousemen have added to their inventories to take care of some customers who are short of supplies. At the same time, there is a growing demand for structural steel, rods and other items used in building.

This buying, on top of the auto boom, accounts for the shortage in many forms of steel and the fast rise in steel output. Mills that were running at less than 70 per cent of capacity last summer are running close to 90 per cent today.

Companies that use copper also would like larger supplies.

Appliance stocks: low. Stocks of appliances and other housefurnishings are relatively low, and sales are picking up. For instance, television sales were heavy in December and continued brisk in January, when a slump is usual.

Thus, the ground is laid for restocking in this line.

You see it in other lines, too. Compared with a year ago, manufacturers and distributors hold 12 per cent fewer electric freezers, 16 per cent fewer electric ranges and 22 per cent fewer electric refrigerators. Manufacturers have 17 per cent fewer oil burners on hand.

Meanwhile, sales of new houses are zooming, pointing to a big demand for appliances, furniture and other furnishings in the months ahead.

Retailers apparently are counting on good sales, for they placed heavier orders for new furniture for this year. Orders for carpets also improved. But wholesalers have not, as yet, begun to rebuild their inventories.

The building boom has eaten into supplies of lumber and other construction materials. Stocks, in the light of today's sales, are much slimmer than they were a year ago.

Orders for clothing and food. Textile mills and garment makers are feeling the lift that comes from stocking up. Order books for some types of woolen and cotton cloth are filled for months ahead, according to industry sources.

Retailers have been ordering clothing more boldly, on the ground that a sustained rise in consumer buying has set in. The garment companies have pushed output up to meet this demand.

Thus, a rebuilding of inventories of clothing in the stores and wholesale houses is in progress and is bringing more orders to the manufacturers.

Other so-called soft goods seem slated for restocking, too. Chemical supplies have been reduced in the past year

. . . Some firms find it hard to get supplies

and are rather low, for the current sales pace. The same is true of fuels, such as petroleum and coal. Wholesalers are rather low on paper and paper products.

Food inventories are unusually low, when compared with sales. People are spending more than ever before for meats, processed foods and other eatables. The average retailer has less than a 20-day supply on hand, according to the latest Government report; this was less than the "normal" before World War II and less than in 1949 or 1954.

Behind the change in buying. The first sign of a change in business buying showed up last summer. By then, manufacturers and distributors had their supplies down to a 40-day level, on the average. That compared with a 42-day supply in January, 1954.

At that point, businessmen seemed to become intent on holding inventories level. The official figures showed little reduction in dollar value and no reduction in relation to sales until November.

By then, sales and shipments were picking up. The auto industry was pushing out its new models. Steel production had improved. Higher sales began to eat into inventories.

But, this time, the reduction was not planned; it was brought about by recovery and made many businessmen feel they had underestimated their needs.

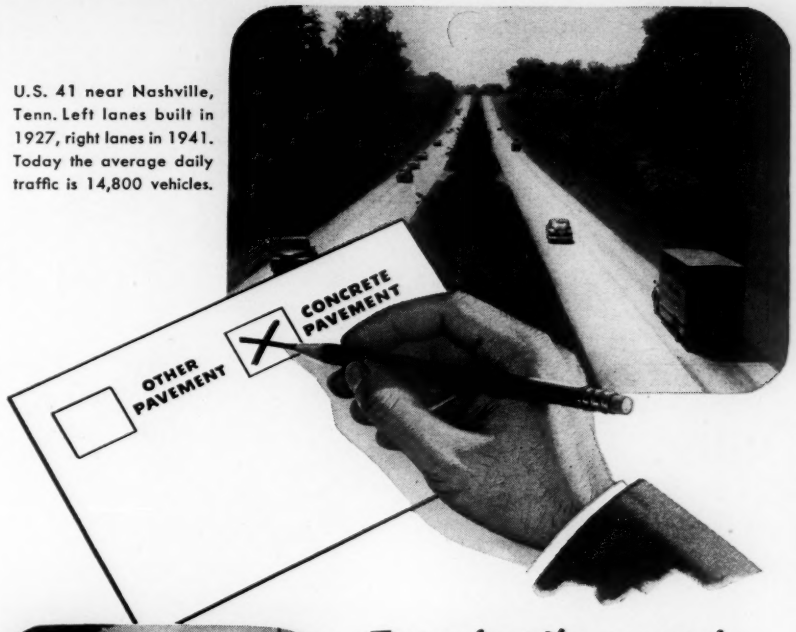
Thus, the situation today is the reverse of what it was a year ago. Then, companies were trying to get along with smaller stocks. They were buying less than they were selling. And sales, in many lines, were slipping. The struggle to reduce inventories proved difficult.

The effort cut the Government index of factory output by about 4 per cent, according to studies by the Economic Unit of *U. S. News & World Report*. That would account for more than half of the total drop in production during the 1953-54 recession.

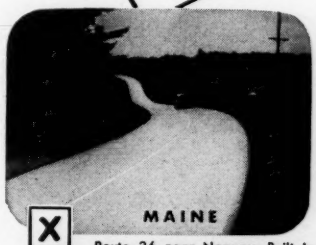
Rise in sales. Now, the companies are trying to increase their supplies and are finding this equally difficult in some cases. They order more, but sales rise. Stocks, measured in days of sales, continue to be relatively low.

An effort to rebuild stocks, comparable to the struggle to reduce them a year ago, would add about 4 per cent to the nation's factory production and thus help to prolong the recovery.

So the inventory problem remains a hard one for the businessman. But his struggle to keep the right amount of supplies on hand is bringing good news to manufacturers.

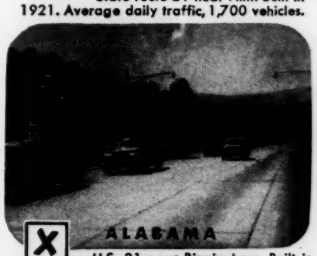


U.S. 41 near Nashville, Tenn. Left lanes built in 1927, right lanes in 1941. Today the average daily traffic is 14,800 vehicles.



Route 26 near Norway. Built in 1926. Average daily traffic, 2,500 vehicles.

State route 21 near Flint. Built in 1921. Average daily traffic, 1,700 vehicles.



U.S. 31 near Birmingham. Built in 1921. Daily traffic today is 23,700 vehicles.

U.S. 66 near Los Angeles. Built in 1927. Daily traffic today is 26,800 vehicles.

Examine the record—

Then Vote for Concrete Highways

Roads, like elected officials, should stand on their records. Today, motorists, whose gasoline taxes pay for roads, should examine that record, for America is engaged in a gigantic highway construction program.

Many existing highways are concrete roads such as shown here, built in the 1920's. Though carrying heavier loads and 2½ times the traffic they were designed for, they're still on the job. *This record merits your vote of confidence.*

Recent engineering surveys offer new evidence of concrete's exceptional durability. For example, practically all of the concrete roads ever built in Tennessee and Washington and 96% of those in Missouri are still serving.

Even such records will be surpassed. Improvements in design, materials and construction methods now enable highway engineers to build concrete roads to last 50 years and more.

Concrete's long life and low maintenance cost stretch your tax dollars. Other pavements rarely cost less if built for the same traffic load and their frequent and costly maintenance gobbles up funds that could better be used for building desperately needed new roads.

Vote for the best investment of your taxes by urging officials to pave main roads with concrete. Ask for free booklet, "*It's Concrete 11 to 1*," distributed only in U.S. and Canada.

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A national organization to improve and extend the uses of portland cement and concrete... through scientific research and engineering field work

News - Lines

What you as a businessman ☑ CAN and ☒ CANNOT do as a result of federal court and administrative decisions:

☑ **COPPER.** You can count on military contracts' taking less copper in the second quarter of this year. The second-quarter set-aside of this metal for defense and defense-related products is reduced by the Business and Defense Services Administration to 108 million pounds—18 million pounds less than for the first quarter.

* * *

☑ **"FAIR TRADE" LAWS.** You can look for the Federal Trade Commission to follow a hands-off policy on enforcement of resale-price agreements under "fair trade" laws. In a case involving manufacturers of jewelry, the Commission refuses to start an investigation, saying it is not required by law to do so.

* * *

☑ **PENSION PLAN.** You can get Treasury approval of an employe-pension plan, for tax purposes, even though you have only one employe. The Internal Revenue Service rules that an otherwise qualified plan is not disqualified just because there is but one employe.

* * *

☑ **RUBBER.** You can get information from the General Services Administration on new rules revising the program for rotating crude natural rubber in the Government's stockpile. One change raises from 5,000 to 7,500 tons a month the ceiling for replacing lower grades of rubber with higher, long-storing grades.

* * *

☑ **FROZEN FOODS.** You can, in purchasing frozen peas and carrots, soon follow Government standards for mixtures of these vegetables. The first U. S. grade standards for frozen peas and carrots are issued by the Department of Agriculture, effective March 21.

* * *

☑ **TRADE FAIRS.** You can get information from a Government bulletin about a series of French fairs that are of interest to American businessmen. The booklet, "International Trade Fairs and Exhibitions, France" describes 15 major fairs and 50 other French exhibitions. It can be bought for 20 cents a copy from the Government Printing Office, Washington 25, D.C.

☑ **SHIPPING.** You can find out from the General Accounting Office how the "50-50" shipping law will be applied. This law requires that 50 per cent of the Government's cargoes must be carried in U. S. commercial vessels "to the extent that such vessels are available at fair and reasonable rates." Fair and reasonable rates, under the new interpretations of the Comptroller General, are not always the "going market rates."

* * *

☒ **COLLECTIVE BARGAINING.** You cannot safely refuse to negotiate with the certified bargaining union in your plant just because there is a big turnover in your small labor force. The National Labor Relations Board finds that an employer violated the Taft-Hartley Act by ending negotiations during the first year of a union's certification. The NLRB rules that the turnover of workers did not affect the union's certification.

* * *

☒ **INCOME TAX.** You cannot expect to treat as a capital gain, for income tax purposes, the amount that you receive on the transfer of your partnership interest in a firm that has performed virtually all of its contracts and has only to collect payment for its services. A court of appeals holds that such an amount is taxable as ordinary income.

* * *

☒ **TAX INSTALLMENTS.** You cannot provide for gradual taxation of the proceeds from the sale of timber by refusing to accept cash from the purchaser and insisting that the amount be placed in escrow for later payments. Such an arrangement is disapproved by a court of appeals.

* * *

☒ **UNION INTERFERENCE.** You cannot refuse to allow a union to carry on campaigning activities on company property during nonworking time while allowing a rival union to campaign on company time and property. This, says NLRB, is a Taft-Hartley violation.

* * *

☒ **PLANT ELECTION.** You cannot get around the Labor Board's rule against campaigning on company property within 24 hours of a plant election by speaking to only a few employes. This is no defense, according to NLRB, in throwing out results of an election.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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FEATURE	the "DOCKER"	TRUCK A	TRUCK B	TRUCK C
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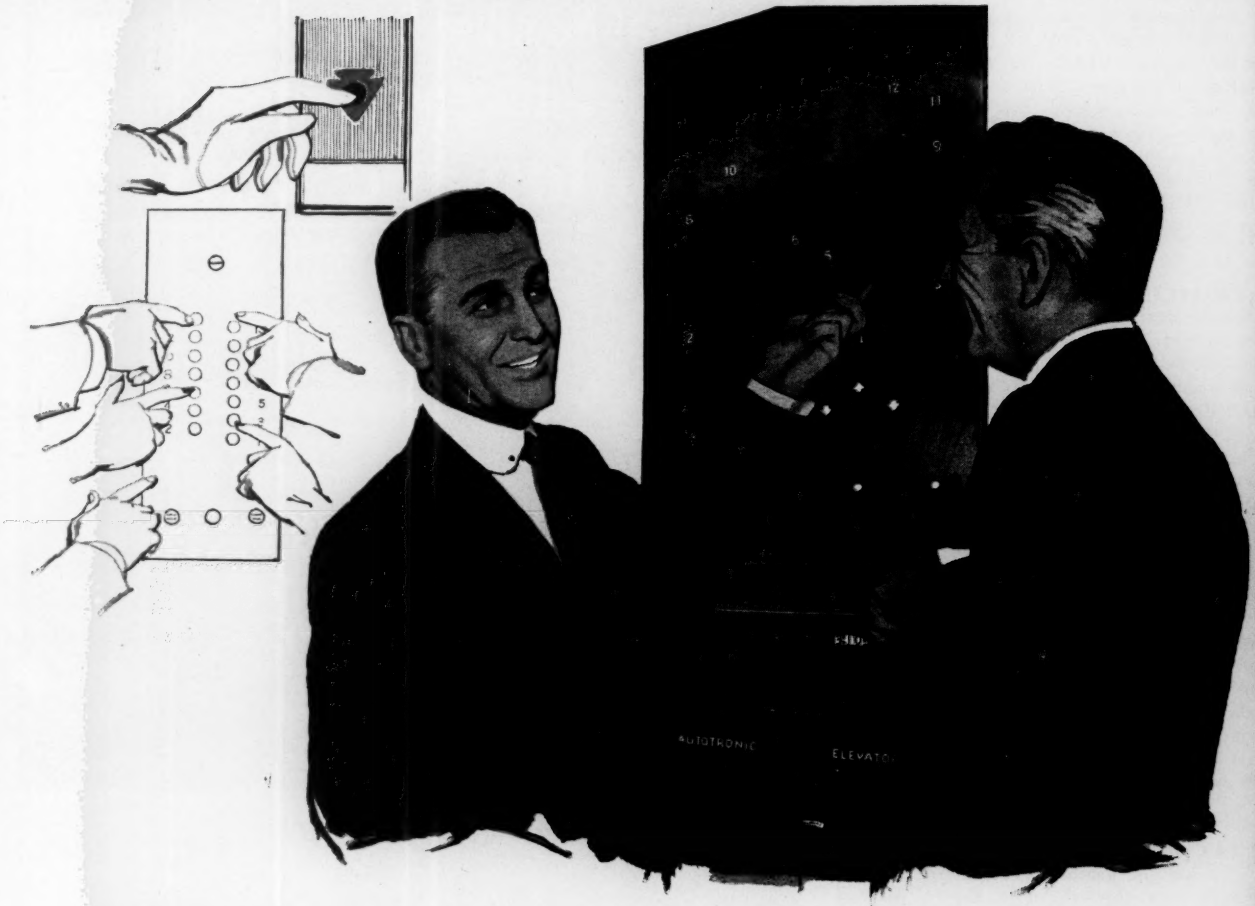
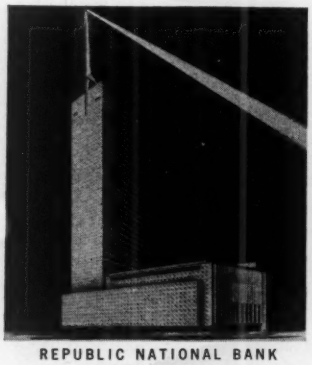


Traffic tells the elevators what to do



REPUBLIC NATIONAL BANK
Dallas, Texas

The new 40-story REPUBLIC NATIONAL BANK BUILDING, with its four basement levels, will have 17 Otis AUTOTRONIC operatorless elevators. This is one of more than 175 new and modernized office buildings, hotels, hospitals, banks, and department stores that have given AUTOTRONIC elevatoring an overwhelming vote of confidence—by buying it!

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Major supports for business activity are all firm at the present time.

The two drags on activity in 1954--federal spending and investment by private business--have ended their downward pressures.

Federal spending is leveling out and is to stay relatively steady.

Business investment in plant and equipment may even rise in months ahead.

Consumer spending, as noted on page 19, is at a record high.

Construction boom has yet to give any sign of weakening.

All this suggests that the upturn in business faces few obstacles now.

Figures compiled by the Government show what caused the 1953-54 dip.

Federal purchases of goods and services fell from 62.2 billions a year in second quarter, 1953, to 45.9 billions in fourth quarter, 1954. That marked a drag on total output to the tune of 16.3 billions a year.

Business purchases of equipment dipped from 24.8 billions a year in the 1953 third quarter to 21.7 billions in the 1954 fourth quarter.

Inventory buying, at 5.4 billions a year in second quarter, 1953, shifted to a selling rate of 4.8 billions in third quarter, 1954. That was a drag on the economy of 10.2 billions a year.

Yet, when you consider total output, the dip was from the boom's peak of 369.9 billions a year in the 1953 second quarter, to 355.5 billions for the 1954 third quarter, the recession's trough. Net decline was 14.4 billions.

Offsets to the drags are found in rising outlays by individuals for goods and services, more outlays for building, more State and local spending.

Strength is still present in these offsets.

Weakness has about disappeared from the dragging influences.

In other words, the American economy quite successfully rode through a major adjustment in business and Government spending. Now conditions give every sign of being ripe for a general advance.

You also get some evidence of improved living standards in the latest output figures. Consumers are getting about two thirds of total output now. A year ago the consumer share was 63.7 per cent. And output now is larger.

Commodity prices on spot markets appear to be weakening.

Price declines were rather general for two weeks, ended February 22.

Natural rubber fell from 37.9 cents a pound to 32.8 cents. Speculation had pushed this price far above that charged for synthetic rubber.

Cocoa has been slipping since late January. Previous high prices for this commodity have brought a sharp cut in consumption in the U.S.

Coffee prices rose a bit in late February, but are 10 cents a pound under

(over)

the January figure. Brazil's currency troubles have an influence here.

Pepper prices also are weak, down about 50 per cent in a year.

These are all commodities traded in world markets. They give no sign of any feeling of imminent war, or international upsets. Rather, they indicate an oversupply, with price cuts seeking to uncover additional demand.

Domestic farm prices also are weakening.

Hogs are selling at the lowest price since mid-December, 1952.

Grain prices are slipping, too, especially corn and rye.

Large supplies of American farm products explain these price weaknesses.

Metals are about the only commodities that show price strength. Prices have advanced for scrap steel, scrap lead, tin. Copper prices are holding to their recent rise. Zinc is strong. Demand for metals is rising.

Price maintenance through "fair trade" acts is running into trouble.

Arkansas is the latest State to have its "fair trade" act thrown out by the State Supreme Court as unconstitutional.

Decision in Arkansas holds that manufacturers cannot prevent price cutting by retailers simply by signing one retailer to a price-maintenance contract.

"Fair trade" acts also have been ruled unconstitutional in Florida, Georgia, Michigan. But they have been upheld in 17 other States.

Price agreements under "fair trade" laws will not be policed by the Federal Government. That's the indication in a recent Federal Trade Commission ruling.

Some retail jewelers had complained that some jewelry manufacturers--unnamed--were enforcing "fair trade" prices on them, but allowing discount houses to sell the same jewelry at cut prices.

Complaining jewelers wanted FTC to proceed against the manufacturers on the ground that the manufacturers were using unfair methods of competition, in violation of the Federal Trade Commission Act.

FTC said "No." The retailers were advised, in effect, either to sue the manufacturers in State courts, or sell at cut prices themselves, on the ground that the manufacturers had violated "fair trade" by selling to discount houses.

FTC, in its decision, makes plain its attitude toward the McGuire Act, which legalizes State laws that permit price maintenance.

McGuire Act, says the Commission, "is exemptive and permissive" only.

All the Act does, according to FTC, is to prevent antitrust action against firms that engage in price maintenance under various State laws.

FTC position is that "it is not within the province of the Federal Trade Commission to exercise control over resale price agreements, nor to enforce such agreements." Enforcement is left to private action in the courts.

Signs increase that the discount house--a recent development in retail selling--is not going to be fought very successfully in court.

Movie industry, in the doldrums a few years back, is staging a recovery abroad as well as at home. U.S. motion-picture earnings from abroad reached an all-time high of 200 million dollars in 1954, Commerce Department reports.

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WITH GOVERNMENT IN MEDICINE—

Expensive "Goldbricking" Shows Up in Veterans' Hospitals

Waste and inefficiency mar the vast medical programs that the Government runs for veterans and the armed forces, according to a survey just released by the Hoover Commission.

Experts, probing behind official reports, found: A billion dollars' worth of idle hospital beds; well-to-do veterans, some with assets of $100,000 or more, getting free medical aid; a surplus of doctors in the armed forces; a pension system that pays $50 a month for life to the soldier who loses a big toe.

A crackdown could save hundreds of millions of dollars in taxpayers' money each year, the Hoover Commission states in its "Report on Medical Services."

Following are excerpts from the "Report on Medical Services" of the Commission on Organization of the Executive Branch of the Government, as released Feb. 28, 1955:

Hospital Construction

[An] indication of the lack of coordination and waste [in federal hospital services] is evident in the hospital construction programs of the Veterans Administration and the Department of Defense.

The Armed Services hospitalization requirements reached their most recent peak early in 1952 during the Korean conflict. . . .

° ° °

. . . Since 1952 the number of unused beds in military and Veterans' Hospitals have increased from 60,000 to about 77,000. Construction now in progress is likely to add another 10,000 beds.

Six years ago the Commission on Organization of the Executive Branch of the Government pointed out the undue stay of patients in Government hospitals as compared to the length of stay in civilian hospitals. The following table was printed in the Task Force Report to that Commission.

Average length of stay in days°

Operation	Voluntary General Hospitals	Public Health Service Marine	Veterans Admin.	Army General Active Duty Personnel	Army General Other†	Navy General Active Duty Personnel	Navy General Other†
Appendectomy	7.8	11 9	11.2	19.6	9.9	20.3	9.6
Tonsilectomy	1.4	6.8	8.0	16.1	3.0	13.3	2.5
Hemorrhoidectomy	6.9	11.8	16.1	27.3	15.2	25.7	10.2
Herniotomy (inguinal)	10.3	16.0	N.A.	29.4	16.1	28.1	13.4

°Patients discharged between January and August 1948.
†Excluding Veterans.

Recent studies indicate that the same relative disparities persist in lengths of stay of patients in Government and non-Government hospitals. For example, a report of the General Accounting Office in March 1953 summarized its findings regarding lengths of stay in Veterans Administration hospitals as follows:

"The length of stay of patients in VA hospitals, for hospitalization under certain particular diagnosis, was found to be somewhat higher generally than in private general hospitals though somewhat lower than reported for Army and Navy general hospitals. This appears to be due mainly to differences in types of care given. VA hospitals, unlike private hospitals, generally have patients hospitalized during diagnosis and during convalescent care, but there are other factors, such as absence of cost to the patients and probably some tendency in hospitals with light patient loads to continue care beyond necessary limits, which no doubt contribute to the extended length of stay."

Our present Task Force has this to say concerning lengths of stay in military hospitals:

"Military personnel on active duty receive relatively large amounts of hospital service, an average of 8 days a year (exclusive of battle casualties), as compared to 1 day a year in general hospitals for the U. S. population. There are good reasons in the mode of military living which require more than average hospitalization. But this very sharp difference in the amount of care received points up a finding not only of our own studies, but of countless studies in the past—that patients tend to linger in military hospitals. Time passes while the patient is 'worked up,' while he convalesces, while a Board passes on the ultimate disposition of his case. . . ."

The first Hoover Commission six years ago vigorously called attention to excessive hospital construction and urged that except for mental cases, new Federal construction was not needed. The tables on preceding pages show that since 1952 there has even been a decrease in the load of the military hospitals and a general increase in unused beds, while construction of new hospital beds continued. For the veterans general hospitals there have recently been waiting lists for admission only in scattered instances even for nonservice-connected cases.

° ° °

Some number of beds must be kept in reserve in Federal hospitals. Yet the sums involved in unused construction are indicated by multiplying the number of unused beds by normal hospital construction costs. On this basis, the original cost of the unused beds probably exceeds $1,000,000,000.

Nor is the waste limited to money. The technical personnel required to operate these partly unused facilities is a drain on the technical personnel much needed by the civilian population.

It may be argued that this excessive Government hospital construction is needed against war emergency. An answer can well be that had these funds been used to relieve the civilian situation, the civilian hospitals would equally be available for war emergency.

According to State hospital plans approved under the Hospital Survey and Construction Act of 1946 (Title VI of the Public Health Service Act of 1944) the country needs about 812,000 additional community hospital beds. . . . The figure is cited merely as a general indication of the enormous need for civilian hospital construction at a time when construction of unneeded Federal hospital capacity continues to grow with concurrent increases in the Federal demand for scarce medical personnel to man those facilities.

* * *

Department of Defense

The facts we have already presented . . . are sufficient evidence of duplication and waste in the Defense Department Medical Services.

We have already cited our Task Force's conclusion that the amount of hospitalization given to military personnel is generally excessive. . . .

The care of dependents of the military forces has grown enormously. In 1948, 42,000 babies were born in military hospitals in the United States. In 1953 the number was over 145,000. On an average day in 1953, there were 6,300 dependents in military hospitals, and over 23,000 outpatient treatments were given daily to dependents. Many of these dependents could receive equally good care in voluntary hospitals, if a system of health insurance were instituted by the Government.

* * *

In the original 1946 proposals for unification of the Armed Services, the unification of their Medical Services was held out as one of the advantages to be brought about by unification. It has been recommended by various independent investigating including the First Hoover Commission, but has been steadily opposed by the Armed Services.

* * *

Regionalization of the Services

Ample, if not indeed extravagantly abundant facilities exist. In the absence of unification, regionalization can offer the best solution. A regional pattern in which one Service has been given responsibility for the care of patients of all Services in certain overseas areas has proven successful. Responsibility for medical care for the three Services could be assigned to the Service with the major interest in each region of the United States in such a way that the nationwide proportion of the total responsibility for medical care now assumed by each of the three departments would not be materially altered. As a result, many small facilities could be disposed of.

* * *

In the five areas surveyed, nine military hospitals and nine infirmaries were obviously marginal in the needs of Federal Government beneficiaries. In March 1954, these 18 facilities had 1,200 patients. Savings which could be achieved by their closing are estimated at between $5 and $10 million annually.

* * *

Health Manpower

* * *

Our Task Force recommends ratios not to exceed 3.0 physicians and 1.7 dentists per thousand active duty personnel for the three Armed Services. This would cause a reduction of about 1,750 physicians and dentists from the present level and result in an estimated saving of $15 million. The Commission feels that determination of actual ratios of physicians and dentists to active duty personnel should be left to the Department of Defense. If our recommendations as to the closing of various hospitals are accepted, the need for military physicians would be reduced.

While the number of young physicians to be graduated in the next few years may be adequate for the present requirements of the Armed Services, this is not the case with dentists. The historical ratio of 2 dentists per 1,000 troops was never attained during World War II, nor has it been attained since June 1950. Even the ratio existing in 1954 of 1.79 dentists per 1,000 troops can barely be maintained.

Recommendation

That the Secretary of Defense, with the assistance of the Federal Advisory Council of Health, develop recommendations for revision of the Selective Service Act to effect maximum utilization of medical personnel.

* * *

The Veterans Administration

Since 1949 the number of civilian veterans has been increasing at the rate of almost 1,000,000 per year; they now number 21,000,000. The recent Presidential Proclamation which terminated certain veteran benefits means that persons entering service after January 31, 1955, will not be eligible for hospitalization for nonservice-connected disability. It is estimated that the total number of veterans eligible for such benefits will reach a peak of about 24 million in the next three years; and will thereafter decline at a rate of about 20,000 a year.

* * *

There are more Veterans Hospitals than are necessary. Many are uneconomic to operate; some because of size, location or inadequate number of patients. The Task Force recommends the immediate closing of certain hospitals, and in its report gives the reasons for its recommendation.

Surplus hospitals recommended for closing should be disposed of through the General Services Administration and the Department of Health, Education and Welfare, subject to recapture in a national emergency. . . .

Recommendation

That the Administrator of Veterans Affairs consider the recommendations made by the Task Force as to closing of certain hospitals . . . ; that all hospitals determined to be surplus be closed immediately.

Recommendation

That all present outstanding authorizations and appropriations for construction of additional Veterans' General Hospitals be rescinded except for those now under construction or under contract.

* * *

Medical Services for Nonservice-Connected Cases

The greatest of all problems in the administration of medical care for veterans are the nonservice-connected cases. There cannot be the remotest doubt that the Federal Government has a continuing obligation to care for veterans who have incurred disabilities in service and that they have a right to the highest obtainable quality of medical services. A grateful Nation cannot do less. Currently about 3.5 million individuals, about one-sixth of all veterans, have service-connected disabilities.

Initially the Veterans Bureau hospitals were available only for the care and treatment of service-connected disabilities,

but by 1923 . . . Congress authorized that such beds could be used without reference to service-connection. . . .

Under Section 6 of the Act of March 20, 1933* provision was made for hospitalization of nonservice-connected cases within the limits of existing Veterans Administration facilities of veterans of any war unable to pay needed hospitalization subject to a sworn declaration by the veteran of inability to pay. The Veterans Administration was prohibited from challenging such a statement. In providing this care for nonservice-connected disabilities many thought that no great expense to the Government would be involved since these provisions merely permitted the occupancy by indigent veterans. . . . Experience proved contrary to expectation. . . .

At the present time, of the 21,000,000 living veterans, about 17,500,000 are potentially eligible for hospitalization for nonservice-connected care subject to the limitation imposed of declared inability to pay and the availability of beds. The 40,000 beds existing in Veterans Administration hospitals in the year 1933 would have been sufficient to accommodate the highest average daily number of service-connected patients in any year from 1933 to date—including the service-connected cases from World War II and Korea. Yet, since 1933 the number of operating beds in Veterans Administration hospitals has grown from 40,000 to 118,000 (more than 128,000 constructed beds), representing estimated expenditures of more than $1,000,000,000† for beds not required for care of service-connected disabilities.

In 1954 the nonservice-connected cases occupied, on an average day, 65,000 out of the total of 109,000 occupied beds in Veterans Administration hospitals. The cost for the hospital and medical care of these nonservice-connected cases amounts to about $500,000,000 annually.

The outstanding need of the Veterans Administration is a firm legal basis for determination of eligibility for medical care of veterans with nonservice-connected disabilities.

Our Task Force recommends that the right of veterans with nonservice disabilities to admission to Veterans Hospitals should be limited to some period after discharge from active duty, such as applies to other "G.I." rights. They suggest three years. They estimate that if this were done, the number of potential patients with nonservice-connected disabilities would be reduced from 17.5 million to about 3 million, with an estimated annual saving of $150,000,000.

The Commission, however, believes that the sentiment of the American people is that a sick and really indigent veteran should be provided care in Veterans Administration hospitals. Recommendations are made to limit the burden on the public arising from this source.

The veteran's statement of financial inability to pay all or part of his medical care is not subject to verification. It is difficult to believe that all of the approximately 369,000 such veterans given care last year were actually unable to pay for their hospital and inpatient medical care. A random sampling examination in 1952 by the General Accounting Office showed that out of 336 of such declarations from veterans with annual incomes of $4,000 or more, one had an income of $50,000; 25 had assets of $20,000 or more; 4 had assets between $100,000 and $500,000. The various national veterans' organizations have denounced and are opposed to "goldbricking."

In 1953 an agreement was reached between Congressional committees and representatives of veterans' organizations by which such declarations of inability to pay were subject to verification, and in case of non-substantiation provision was made for the collection of the medical costs incurred, based on the veterans' ability to pay. The bill incorporating this provision failed to pass.

Recommendation

That the statement of a veteran of his inability to pay for hospitalization should be subject to verification; and that the Veterans Administration be authorized to collect in case such a statement is not substantiated.

° ° °

Disability Allowances

We consider only disability payments to living veterans since such payments to survivors are too remote from our primary concern with medical services. The Compensation and Pension Branch within the Veterans Administration makes both compensation and pension payments to disabled veterans, the chief distinction being, in general, that "compensation" is for service-connected disability and "pension" for nonservice-connected disability.

° ° °

(a) Compensation for partial disability from service-connected injuries. These disability allowances for service-connected injury or disease are presumably equated to impairment of earning power. The existence of service-connected disability of a veteran and the extent of that disability is determined by rating boards. There is a tendency to assume that disability is continuing and progressive, and to avoid reexamination.

Another difficulty in these allowances is the low percentage disability ratings (30% or less) which are not being realistically related to loss of earning power. An example of a 30% disability is amputation of a great toe. For this disability the veteran is entitled to a minimum of $50 per month regardless of his other income. We urge that disability ratings be based on true medical criteria and be more realistically related to loss of earning capacity.

(b) Compensation for total disability from service-connected injuries. These payments range from $181 per month (e.g. for active tuberculosis) to $420 per month (e.g. for quadruple amputations) with added increments for dependents.

(c) Pensions for total disability from nonservice-connected disability. Eligibility for these allowances depends on total permanent disability, and there is an income limitation of $1,400 if single and $2,700 if the veteran has dependents.

The effectiveness of the income limitation is dependent on the veteran's own estimate of *anticipated* income which is rarely checked.

° ° °

The Veterans Administration Annual Report for 1953 shows that of the 1,998,000 veterans who received compensation allowances in 1953, 1,465,863 were rated 30% disabled or less and received an average monthly amount of about $28 each, totaling $487,000,000 for the year; 123,290 were rated 100% disabled, and received a monthly average of about $209 each, totaling about $309,000,000 for 1953.

In early 1953 the investigating staff of the House Appropriations Committee made a preliminary study of the Veterans Administration's entire Compensation and Pension Programs. . . . The study determined that more frequent review of static cases, more thorough examination into the preservice medical history of veterans and general tightening of rating philosophy could reasonably result in an annual decrease in compensation and pension payments to veterans and survivors of about $300 million. Our own Task Force, considering only payments to living veterans, estimated a possible annual savings of $180 million in compensation and pension payments.

*Public Law No. 2, 73rd Congress, as amended (38U.S.C. 706)

†Based on an average estimated construction cost over the last twenty-one years of $14,000 per bed.

WHAT REDS ARE UP TO IN UNIONS

New Party Line: Hide Under AFL-CIO Cloak

Communists, their strength in U.S. unions waning, now are telling "left wing" groups to infiltrate the AFL-CIO merger.

Independent unions thrown out of CIO as being Red-dominated are urged to join the AFL quickly.

One purpose: to give protection against Communist Control Act, which threatens bargaining rights of unions.

"Left wing" unions, more or less in the background in recent years, are starting to stir around again. Word is out from the Communist Party that it is time for these unions to shed their independence and join forces with labor groups affiliated with the AFL.

These are the unions that were expelled from the CIO in 1949 on charges of being Communist dominated. They are the same unions that for years denounced the AFL as too conservative. Now, with the AFL and the CIO about to unite in a single labor federation, the "left wing" groups are trying to get in on the merger.

The move raises many questions in the minds of Government officials, union leaders and employers. What, it is asked, are the Communists up to now? Do the "left wing" unions have any reason to believe that the AFL will accept them? Isn't the AFL as opposed to Communism in unions as it has been in years past?

As questions are raised, these situations exist:

- The Fur & Leather Workers Union, one of 11 dropped by the CIO on charges of Communist domination, has merged with the AFL Meat Cutters Union. This merger took place in spite of protests from the top leaders of the AFL.
- Local unions of the Mine, Mill & Smelter Workers, according to AFL leaders, are seeking affiliation with the AFL metal-trades department. The AFL also reports that groups in the United Electrical Workers "have put out feelers" about joining the AFL. The smelter workers and the electrical union were among those ousted by CIO in 1949.
- Of the 11 "left wing" unions ousted by CIO in 1949, only four are operating as separate organizations today, as the chart on this page shows. Their membership is estimated at less than 300,000, compared with estimates of from 800,000 to 1 million in 1949.

What's behind it all? As AFL and CIO leaders see it, these moves mean that the Communist Party is ready to take a desperate gamble at this time. It is felt that the party leaders are willing to sacrifice what's left of the "left wing" union strength in order to plant some agents in the new organization to be formed by the AFL and CIO.

Communist official publications are making it clear that followers of the party should use their influence to swing these unions, known in Communist jargon as "progressives," into the AFL-CIO merger. The party line seems to be: Find a way to join some AFL union, at any cost.

The move also is believed to be designed to obtain some protection from the 1954 Communist Control Act. This law allows the Government to proceed against unions that are infiltrated by Communists. If a union is shown to be Communist infiltrated, it loses its rights under the Taft-Hartley Act.

What the "left wing" unions apparently fear is that they will lose the right to go

(Continued on page 108)

"LEFT WING" UNIONS: Where They Stand Now

UNITED ELECTRICAL WORKERS	Once claimed 500,000 members; now down to 100,000.
MINE, MILL & SMELTER WORKERS	Dropped from 70,000 members to about 50,000.
FUR & LEATHER WORKERS	Claims 75,000 members; now merged with AFL Meat Cutters.
WEST COAST LONGSHOREMEN	Claims 52,000 members; recently lost 26,000.
AMERICAN COMMUNICATIONS ASSOCIATION	About 6,000 members; once claimed 10,000.
FISHERMEN	Absorbed by West Coast Longshoremen.
MARINE COOKS	Merging with West Coast Longshoremen.
FARM EQUIPMENT WORKERS	Merged with United Electrical Workers.
OFFICE WORKERS, FOOD WORKERS	Some locals returned to CIO after shake-up of officers.
PUBLIC WORKERS	Union dissolved.

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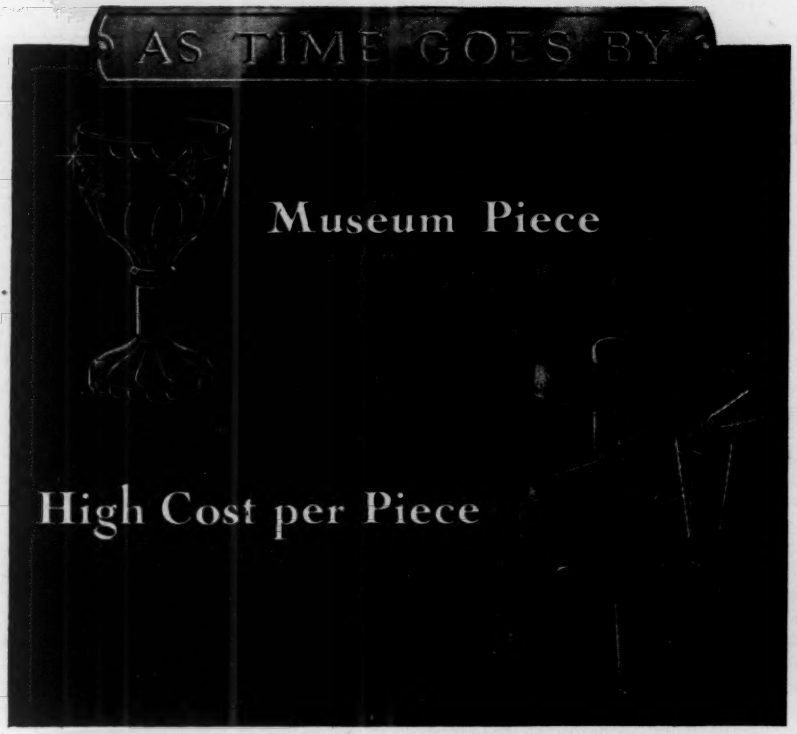

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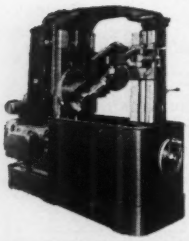

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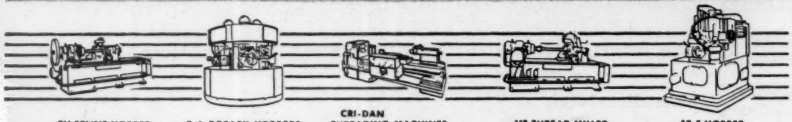


5H SPLINE HOBBER | 7-A ROTARY HOBBERS | CRI-DAN THREADING MACHINES | HT THREAD MILLER | 12-S HOBBER

IF YOU THREAD OR HOB . . . GET A BETTER JOB WITH A LEES-BRADNER

Joining AFL—A loophole in anti-Communist law?

on the ballot in bargaining elections held by the National Labor Relations Board and that they will not be able to bring charges at NLRB against employers accused of violating the labor law.

"Left wing" unions probably would be driven out of business if prosecuted under the 1954 control law, AFL leaders believe. If a rival union obtained an election in a plant now held by a "left wing" union, the latter would not be able to compete in the election. If the rival won, the "left wing" group would be barred from striking in that plant.

A loophole? Facing that situation, Communist Party leaders seem to be put-

—Wide World

BEN GOLD RESIGNED
. . . after a conviction

ting their hopes on a possible legal loophole, in the opinion of AFL and CIO officials.

A provision of the Control Act states that a union affiliated with a national federation that has a record of opposing Communism "shall be presumed prima facie not to be a 'Communist-infiltrated organization.'"

Sponsors of this clause explained at the time that it was designed to cover the AFL, CIO, United Mine Workers and rail brotherhoods. However, the sponsors said that the provision did not give an affiliate of those groups immunity from prosecution if the Government found that a union was infiltrated by Reds.

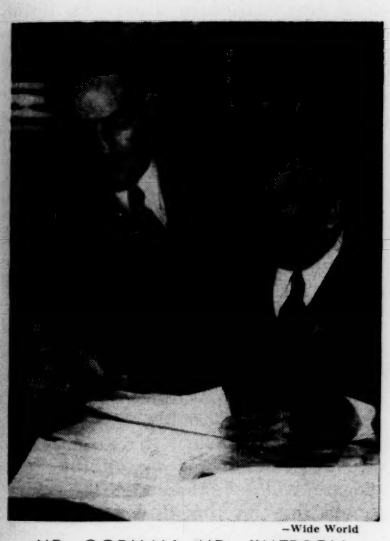
Communist officials, it appears, believe that this protection may be helpful to "left wing" unions in the event the Justice Department tries to use the new law against them. Some labor lawyers

. . . Mr. Meany sets terms for "left wing" groups

disagree, believing that the clause gives no protection to a union merely because of affiliation with AFL or CIO.

The Justice Department says it is investigating unions for possible violations of the Control Act. Test cases against one or two unions, it is understood, may be filed in a few weeks. However, procedures set up in the Act could delay a final decision for many months, possibly years.

AFL's attitude. AFL leaders have warned their unions against a "left wing" move to seek a haven from the Control Act. George Meany, AFL president, says the Federation will not allow "left wing" unions to become part of the AFL unless



—Wide World

MR. GORMAN, MR. JIMERSON
Can they outsmart the Reds?

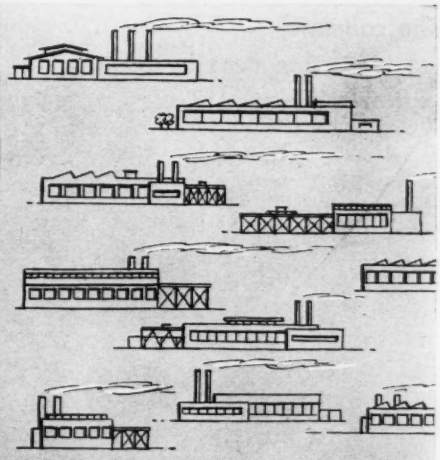
there is definite proof that the union leaders have turned against the Communists.

The AFL Executive Council already is facing a showdown on this issue. The Council recently warned the AFL Meat Cutters that the union probably would be ousted from the Federation if it went ahead with plans to merge with the Fur Workers.

The merger was completed last week, union officials announced. However, officials of both the Fur Workers and Meat Cutters predicted they will be able to convince Mr. Meany and other AFL officials that the Communists do not control the fur group.

The Meat Cutters suggested that the AFL appoint an observer to check on actions of the Fur Workers, now a separate department within the Meat Cutters. Patrick E. Gorman, secretary-treasurer

(Continued on page 110)



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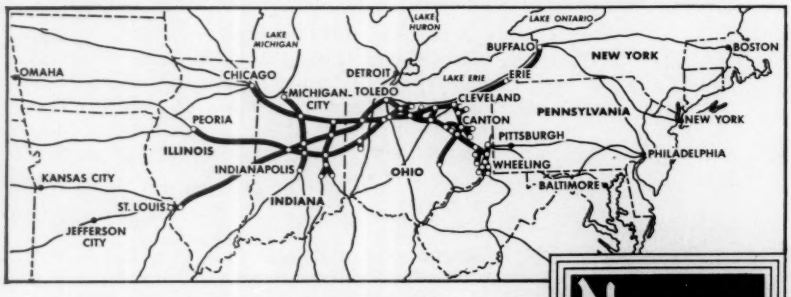

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. . . Fur-union officials have new AFL jobs

of the Meat Cutters, promised that, if AFL found traces of Communist influence, the fur group would be expelled.

Mr. Gorman has acted as spokesman for his union in the merger deal, with Earl W. Jimerson, president, in the background. The two top officers of the Fur Workers became director and assistant director of the new fur and leather department of the AFL affiliate.

The Fur Workers lost their long-time president, Ben Gold, last October. He had been convicted earlier in the year of filing a false non-Communist affidavit in 1950. After that conviction, NLRB declined to accept his 1954 affidavit, which was needed to qualify his union for NLRB assistance. Gold then resigned, and Abe Feinglass became president.

AFL sources indicate that the AFL Council, at its May meeting, probably will recommend that the Meat Cutters' charter be suspended at the next AFL convention. Officials predict that the convention will back Mr. Meany in his efforts to keep "left wing" groups out.

Who wins in merger? Other AFL unions are surprised that the old-line Meat Cutters would take a chance on losing its charter. One official put it this way: "Pat Gorman thinks he can outsmart the party-line boys once they get in his union, but, even when he has several times as many votes as they do, they can cause a lot of trouble."

AFL officials believe that the troubles which can be stirred up by the "left-wingers" will more than offset the gain in membership for the Meat Cutters. The Fur Workers claimed 75,000 members at the time of the merger. The Meat Cutters reported its own strength at 282,000 members.

Officials of the Meat Cutters have explained the merger on the ground that they want to form one big union for their industry. Next step will be to seek a merger with the CIO Packinghouse Workers, which claims 150,000 members. Chances of working out this merger are reported to be good.

Asked what the "left wing" unions stand to gain by becoming subsidiaries of other unions, a labor expert said: "They hope to get a new chance at life in the legitimate labor movement. They feel that a few of their boys can influence many others if allowed inside the new organization to be set up by the AFL and CIO. Their own unions are dying off, anyway."

Whatever the motive, the "left wing" leaders are being warned by top AFL and CIO officials that every effort will be made to keep them out.

Committee Report On "Neo-Fascist And Hate Groups" Called Incorrect

In its "Preliminary Report on Neo-Fascist and Hate Groups," released Dec. 17, 1954, and published in "U.S. News & World Report" in its issue of Dec. 31, 1954, the House Committee on Un-American Activities made the following statement:

"In the summer of 1953, the NRP [National Renaissance Party] announced plans to run a candidate for Congress from the Yorkville district [in New York City]. Nothing further was heard of the scheme, however.

"The would-be candidate was H. Keith Thompson, Jr., who was identified in the National Renaissance *Bulletin* as a former registered agent for Maj. Gen. Otto Remer's Socialist Reich Party—a neo-Nazi group in West Germany now banned by the German Government.

"The NRP had previously publicized Thompson as the national director of a newly formed American Committee for the Advancement of Western Culture."

Mr. Thompson makes the following reply:

"There were no congressional elections in the year and district specified by the 'staff report.' In the 'summer of 1953,' I was still a voting resident of the State of New Jersey and ineligible as a congressional candidate from New York. The 'National Renaissance Party' is, according to my information, primarily a letterhead organization. It is not a legal political party in New York State, or any other State, has never been on any ballot, nor has it ever entered candidates, nor is it chartered nor incorporated. . . .

"I am not now, nor have I ever been, a member of, or in any way affiliated with this 'National Renaissance Party,' and I did not consent to be the candidate of any such group in any election whatsoever.

"The 'American Committee for the Advancement of Western Culture,' of which I am cited in the 'staff report' as 'national director,' was, for a few months during 1953, a considered project of mine but it was unfortunately never activated. No letterhead was printed. The organization was never finally completed, and no bulletins or press releases were made."

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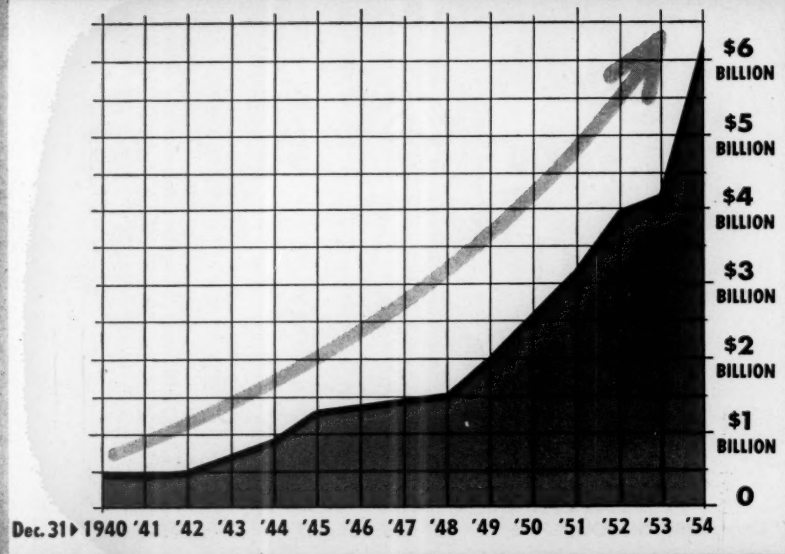
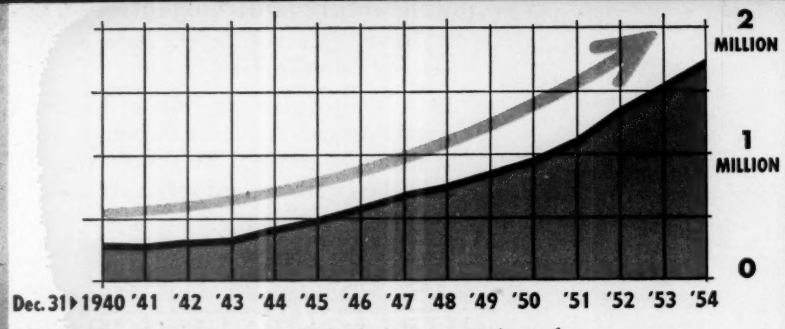


NUMBER OF SHAREHOLDERS has increased nearly 6 times in the same period



NOTE: Figures are for "mutual" funds that are members of the National Association of Investment Companies.

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Investment companies are raising capital and questions.

"Mutual" types alone claim 1.7 million stockholders—and more than 6 billion dollars in assets.

What are these firms? How do they operate? What risk is run by those who buy stock?

Individuals who are looking about for a place to put savings need to check all the angles before investing.

NEW YORK

People are putting more and more of their savings these days into what are known as "mutual investment companies." In the year just past 1.7 million investors put half a billion dollars into these companies. The number investing rose by around 200,000.

There is, in fact, a growing interest in the whole concept of "investment trusts" as a place for the average investor to put his savings. Questions are being asked about these firms and the differences among them, as well as about the advantages and disadvantages of investing savings in their stocks.

There is, too, the question about the soundness of investment companies, their ability to withstand a major downturn in the stock market.

To understand what is involved in these questions, and what is risked by investing, you need to know something about investment companies themselves.

The choices. Simply put, investment companies are corporations that sell their own stock and invest the proceeds in other securities. What a holder of an investment-company share owns is an interest in that firm's investment portfolio. But there are many different kinds of these firms.

"Mutual," or open-end, funds are the most popular at the moment. They are firms that offer their shares continuously for sale. And they stand ready to buy back their outstanding shares whenever holders decide to sell.

Closed-end companies, on the other hand, usually sell their stock but once,

(Continued on page 114)

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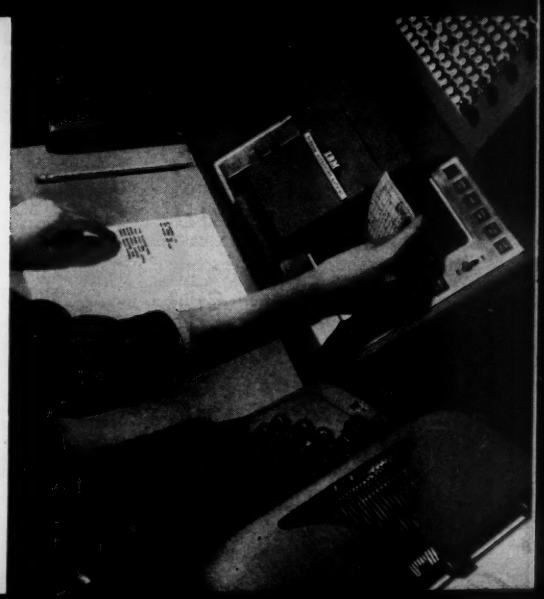

. . . Broker's fee: about 8 per cent of share's value

when they are organized. And they don't buy back their stock. Instead, that stock is bought and sold on the open market and often is listed on exchanges.

The companies differ widely, too, in their own investments. Most of them hold a broad, diversified group of securities heavily emphasizing common stocks. Some companies, though, invest entirely in one industry, say in atomic or electronic issues. Others hold only corporate bonds, or tax-exempt State and local bonds, or Canadian stocks. Some are set up to pay relatively steady dividends, others to pay low dividends now and more later on. Many are aimed at long-term growth in values and, thus, at capital gains.

People interested in investing their savings through investment companies need to study these portfolios before buying stock.

Other differences need study, too. For one, these firms differ in the amount of change that occurs in their own portfolios and in the amount of management given to investments. In the '20s and much of the '30s, most of these firms were "fixed" investment companies. Their charters prevented them from making much, if any, change in the make-up of their own securities holdings. Today, very few of these companies are of this "fixed" type.

Most, instead, are of the "management" type. Their investments get continuous study and are changed frequently to reflect the managers' judgments about the value of various stocks. Investors, buying shares issued by the investment firms, pay for this management and for the stock-selling activities and overhead costs of the investment companies.

What it costs. Real cost of buying shares in industry—directly or through investment firms—needs careful study.

People who buy stock directly pay the usual broker's fees—a small percentage on large purchases, a relatively larger figure on small purchases.

But people who put their savings in mutual investment companies initially pay what is known as a "loading charge." Specifically, the price of one of these shares usually is the share's proportionate stake in the firm's own portfolio, plus a charge for broker's fees and for services offered by the firm. The charge tends to be about 8 per cent of the share's asset value—its stake in the company portfolio—but it may be higher.

The price of closed-end company shares, on the other hand, is one deter-

(Continued on page 115)

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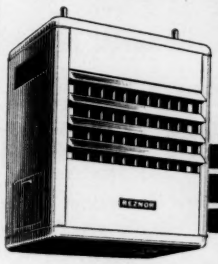

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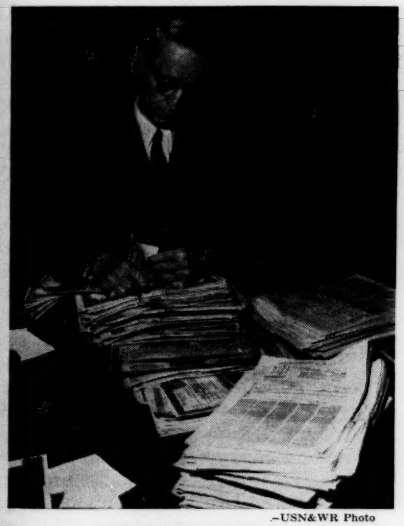
. . . Smaller investors turn to "management" firms

mined by supply and demand in the open market. More often than not, these shares sell for less than the values shown by the investment company's portfolio.

What you get. The return to investors, in all these cases, depends on what the stocks earn in dividends, or what is gained in profits on sales of shares.

The individual who buys shares in industry directly gets to keep for himself all the dividends paid on his stock—not counting what the tax collector takes.

But the holder of investment-company shares must be prepared to forgo some of the dividends declared on stocks held by his firm. The company itself ordinarily withholds some of its investment income to cover costs.



—USN&WR Photo

STOCK CERTIFICATES
. . . attracting more buyers

What this means, obviously, is that people who think of buying investment-company shares have to decide whether they want to pay these costs in return for the management of their investments. The growth of investment firms indicates that many investors—particularly those with small savings and little spare time and know-how—feel that it is worth while. Larger investors—particularly those with market knowledge and some time—more often decide they can do better buying and selling shares on their own.

When you sell. You can't buy stocks, directly or through investment firms, without giving some thought to what happens when you sell shares later.

(Continued on page 116)

MALLORY·SHARON reports on

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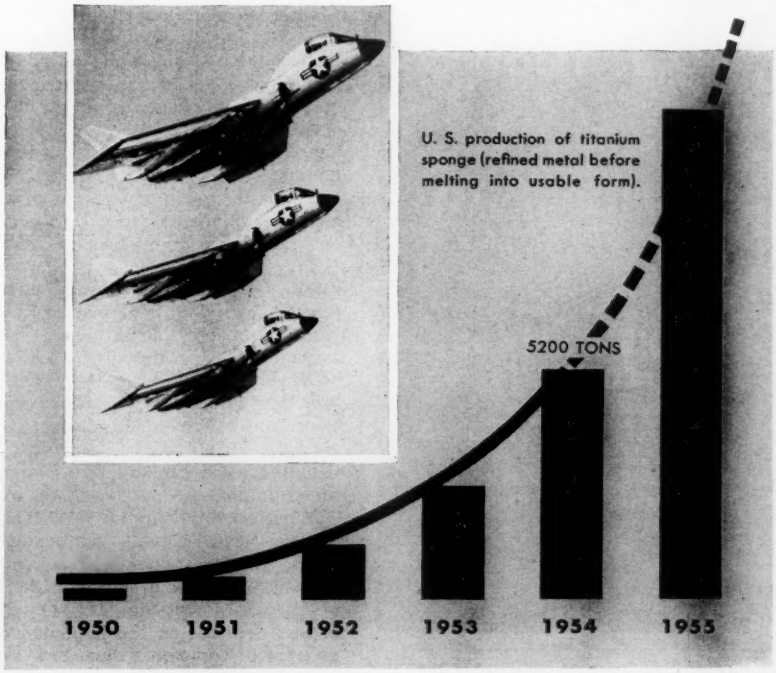

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. . . Broad investments can keep losses down

On shares you buy directly, of course, you get back the going market price. If that price is the same as when you bought, you lose only the broker's commission. Your chance of a capital gain or loss depends on how accurately you figured the market trends in the beginning.

That's the picture, too, for purchases and sales of shares issued by the closed-end investment companies.

The price at which you can sell a mutual, or open-end, share fluctuates directly with the total market value of your company's investments. If the average price of the firm's portfolio is no higher than when you bought, you lose the "loading charge" that you paid when you bought in. In most cases, that charge is likely to be somewhat more than the usual broker's fees charged on direct purchases.

What all this adds up to is that your chance for a capital gain hinges on judgment of the market. You can make a profit, or lose your shirt. For the buyer of an investment-company share, gain or loss depends on the judgment of the investment company's managers. For the investor who buys shares directly, gain or loss depends on his own judgment. For small investors particularly, investment companies and their large, diversified portfolios offer one way to narrow price fluctuations. It's a benefit the investor must pay for, though.

If a "bear market" hits. Growing popularity of mutual funds now is raising another question. What happens to these funds if market prices generally turn down and continue down for a time? If that happens, both the direct owners of stock and the holders of investment-company stock may want to sell out.

The hitch is that if owners of mutual shares cash in their shares in a rush, their firms can redeem them in only one way. The companies must sell some of their own investments in order to get the required cash. There is some fear that, in a major downturn, cashing in of investment-company shares might be on a scale that would force these firms to unload large blocks of stock on the market. Result might be to "break the market."

Actually, no such development has followed the relatively mild downturns that have occurred in recent years. In the break that hit when war started in Korea, investors apparently bought more mutual shares than they cashed in. The same thing happened, according to the record, in the downturn of 1953.

(Continued on page 117)

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. . . Will small savers unload in "bear market?"

There remains, though, the question of what will happen in a severe slump.

Critics of investment companies point out that these firms' customers usually are small savers who cannot afford losses. That might lead them to unload in a major "bear market."

Supporters of the mutuals note that people who buy these shares seldom are speculators. They buy for the long run. Most of them have too little time to watch the market daily. So, the argument runs, they're not likely to be panicked by a market downturn.

Final answer is to wait on the appearance of a real "bear market."

› Big figures. New reports show the place of life insurance in American life and finances. Last year, the premiums paid by policyholders provided nearly 6 billion dollars of new capital for investment by insurance firms. Most of that went into securities of private business. Next largest amount went into real estate mortgages.

These same companies were paying out nearly 13.6 million dollars a day on life insurance policies during 1954—for a total payout of about 5 billion dollars in the one year. Death benefits were paid on nearly 1.6 million policies. Holders of matured endowments numbering 775,000 were collecting. Annuity income was drawn by holders of nearly 700,000 contracts.

› Two views. There seems to be some differences of opinion among traders on New York's two big stock exchanges. At least, trends in short interest—which represents the sale of shares in anticipation of a market drop—are different. On February 15, short interest on the New York Stock Exchange was at nearly 3.1 million shares, up from about 2.8 million a month earlier. On the same date, short interest on the American Stock Exchange was 432,730 shares, down rather sharply from the 498,569 shares of a month earlier.

› Mortgage trends. Generous yields on mortgages guaranteed by the Veterans' Administration still appeal to lenders, without any tendency to scare off home-buying veterans. In January, VA received 51,917 applications for such guarantees. That was nearly two and a half times the number received in January, 1953. Mortgage Bankers Association of America, meanwhile, reports that only about one fifth of 1 per cent of the outstanding GI loans were overdue by three months or more during 1954.

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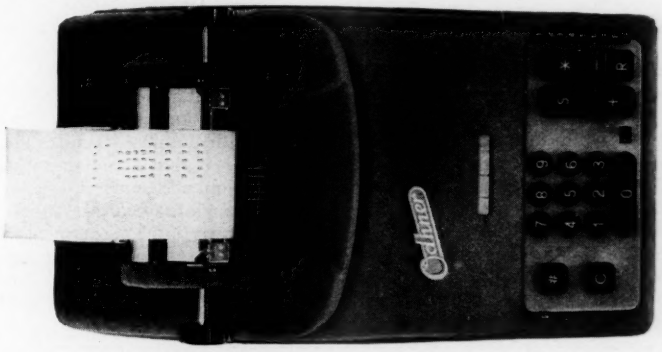

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Latest Indicators of Business Activity

Business recovery, still in progress, continues to absorb credit and to push interest rates gradually higher.

Auto plants turned out almost 175,000 passenger cars in the week ended February 19, an all-time record. A first-quarter output of more than 2 million cars is now probable.

Steel mills set their operating rate at 89.2 per cent of capacity in the week ended February 26, highest since October, 1953. Demand has been growing broader, but steel output is vulnerable to any sharp cut in auto production. The auto industry took 28 per cent of all steel shipped in December, compared with 19.5 for 1954.

Television manufacturers produced 171,434 sets in the week ended February 11. That brought their output for the first six weeks of 1955 to more than a million sets, up 60 per cent from the same period of 1954.

Insured unemployment declined in the week ended February 12 for the third straight week.

Bank credit reflects the strength of business.

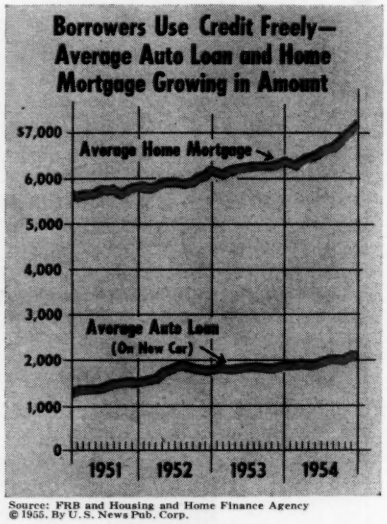
Real estate loans of weekly reporting banks rose 149 millions in the seven weeks ended February 16. In the same period of 1954, a time of business recession, real estate loans rose only 19 millions. They went up 40 millions in the first seven weeks of 1953, when business was booming.

Consumer loans grew 138 millions in the seven-week period this year. They shrank 242 millions last year, rose 140 millions in 1953.

Loans to business normally shrink early each year. Their drop of 263 millions this year was only a third as much as a year ago, little more than half the decline in 1953.

Government securities held by the banks were reduced 1.8 billions this year. They declined 454 millions in 1954 and 1,413 in 1953.

A shift of bank funds from Government securities into loans is taking place, now that Federal Reserve Banks are no longer providing commercial banks with unlimited funds. The loans, as a rule, bring a higher return than Government securities.



Source: FRB and Housing and Home Finance Agency
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Bond yields continue to rise slowly. The return on long-term Treasury issues increased to 2.77 per cent on February 23, highest in 14 months. Corporate bonds of highest quality yield almost 3 per cent, about 1 percentage point less than the return on industrial common stocks.

The borrowing public, meanwhile, is growing bolder.

Mortgages to finance the purchase of new and old homes have risen in average size of $7,131, as the top chart shows. That is up 16 per cent in 2 years. In that period, building costs were about unchanged.

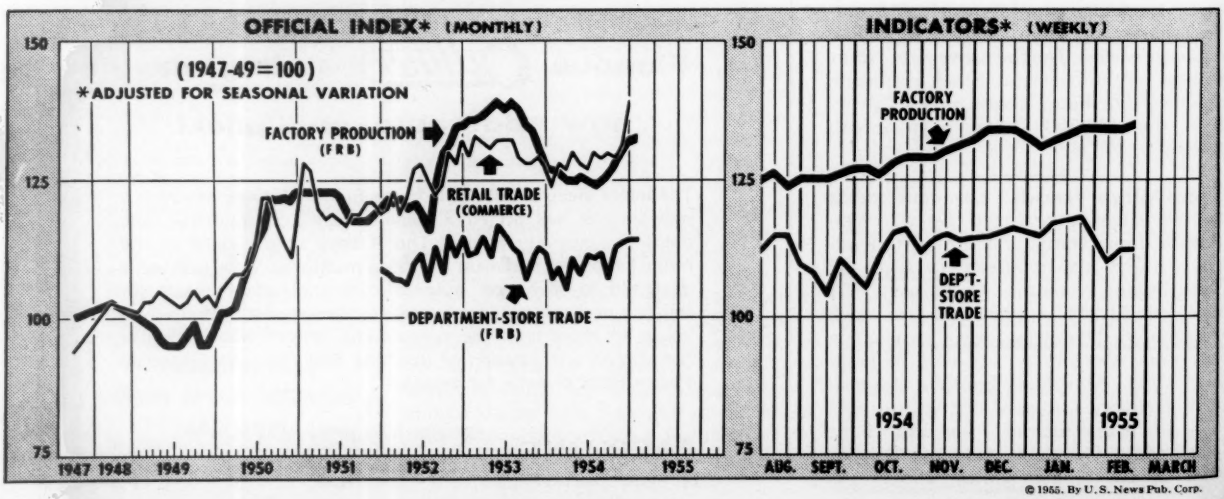
Installment loans by finance companies on new cars, also shown in chart, have increased in average size to $2,064, up nearly $300 in last two years.

Chief influences increasing the size of loans are the smaller down payments now required on the purchase of homes and autos and the higher average purchase price. Home buyers want more bedrooms and baths, more kitchen equipment. Auto buyers want more optional equipment on their cars.

Longer loan maturities—up to 36 months on new cars and 30 years on new homes—have kept monthly payments low, in spite of small down payments.

Future interest costs are seemingly ignored by many buyers. A person buying a $10,000 house with no down payment, but with a 30-year, 4½ per cent loan, pays $8,228 in interest over the 30-year period. If he is able, by saving, to make a down payment of $2,000, financing the remaining $8,000 with a 20-year, 4½ per cent loan, he cuts interest to $4,143.

Business activity is benefiting at this time from abundant credit on easy terms. Whether terms are too easy is a question to which Government officials still do not have a final answer.



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Now Puerto Rico Offers 100% Tax Exemption to New Industry

by BEARDSLEY RUML

"We don't want runaway industries" says Governor Muñoz. "But we do seek new and expanding industries." Federal taxes do not apply in Puerto Rico, and the Commonwealth also offers full exemption from local taxes. That is why 300 new plants have been located in Puerto Rico, protected by all the guarantees of the U. S. Constitution.

Beardsley Ruml

IN A dramatic bid to raise the standard of living in Puerto Rico, the Commonwealth Government is now offering U. S. manufacturers such overwhelming incentives that more than three hundred new factories have already been established in this sun-drenched island 961 miles off the Florida coast.

First and most compelling incentive is a completely tax-free period of ten years for most manufacturers who set up new plants in Puerto Rico.

For example, if your company is now making a net profit after taxes of $53,500, your net profit in Puerto Rico would be $100,000—a gain of 87 per cent as a result of non-applicability of U. S. Corporate Income Tax in Puerto Rico.

Your dividends in Puerto Rico from a corporation there could be $50,000 against $25,000 net in the U. S.—owing to the non-applicability of the U. S. Income Tax.

What About Labor?

Puerto Rico's labor reservoir of 650,000 men and women has developed remarkable levels of productivity and efficiency—thanks, in part, to the Commonwealth's vocational training schools. These schools also offer special courses for managers and supervisors.

The progress made in technical skills may be gauged from the fact that there are now twenty-eight factories producing delicate electronic equipment.

Among the U. S. companies that have already set up manufacturing operations in Puerto Rico are Sylvania Electric, Carborundum Company, St. Regis Paper, Remington Rand, Univis Lens, Shoe Corporation of America, and Weston Electric.

CORPORATE TAX EXEMPTION

If your net profit after U. S. Corporate Income Tax is:	Your net profit in Puerto Rico would be:
$ 17,500	$ 25,000
29,500	50,000
53,500	100,000
245,500	500,000
485,500	1,000,000

DIVIDEND TAX EXEMPTION

If your income* after U. S. Individual Income Tax is:	Your net income in Puerto Rico would be:
$ 3,900	$ 5,000
7,360	10,000
10,270	15,000
14,850	25,000
23,180	50,000
32,680	100,000
43,180	200,000
70,180	500,000

*These examples are figured for dividends paid in Puerto Rico to a single resident. Based on Federal rates effective Jan. 1, 1954.

"Close to Paradise"

Listen to what L. H. Christensen, Vice President of St. Regis Paper, says:

"The climate is probably as close to paradise as man will ever see. I find Puerto Ricans in general extremely friendly, courteous and cooperative.

"This plant in Puerto Rico is one of our most efficient operations, in both quality and output. Our labor has responded well to all situations."

Mr. Christensen might have added that the temperature usually stays in the balmy 70's twelve months a year.

The swimming, sailing and fishing are out of this world. Your wife will rejoice to hear that domestic help is abundant.

The Commonwealth will leave no stone unturned to help you get started. It will build a factory for you. It will help you secure long-term financing. It will even screen job applicants for you—and then train them to operate your machines.

Transportation

Six steamship companies and four airlines operate regular services between Puerto Rico and the mainland. San Juan is just 5½ hours by air from New York.

Light-weight articles such as radar components come off the line in Puerto Rico one day and are delivered by air freight next day in Los Angeles, Chicago and other mainland cities. And, of course, there is no duty of any kind on trade with the mainland.

Are You Eligible?

Says Governor Muñoz: *Our drive is for new capital. Our slogan is not "move something old to Puerto Rico," but "start something new in Puerto Rico" or "expand in Puerto Rico."*

The Commonwealth is interested in attracting all suitable industries, and especially electronics, men's and women's apparel, knitwear, shoes and leather, plastics, optical products, costume jewelry, small electrical appliances, hard candy and pharmaceuticals.

To get all the facts, and to find out whether you and your company would be eligible for complete tax exemption, mail the coupon below.

MAIL THIS COUPON

Economic Development Administration
Commonwealth of Puerto Rico, Dept. U2
579 Fifth Avenue, New York 17, N. Y.

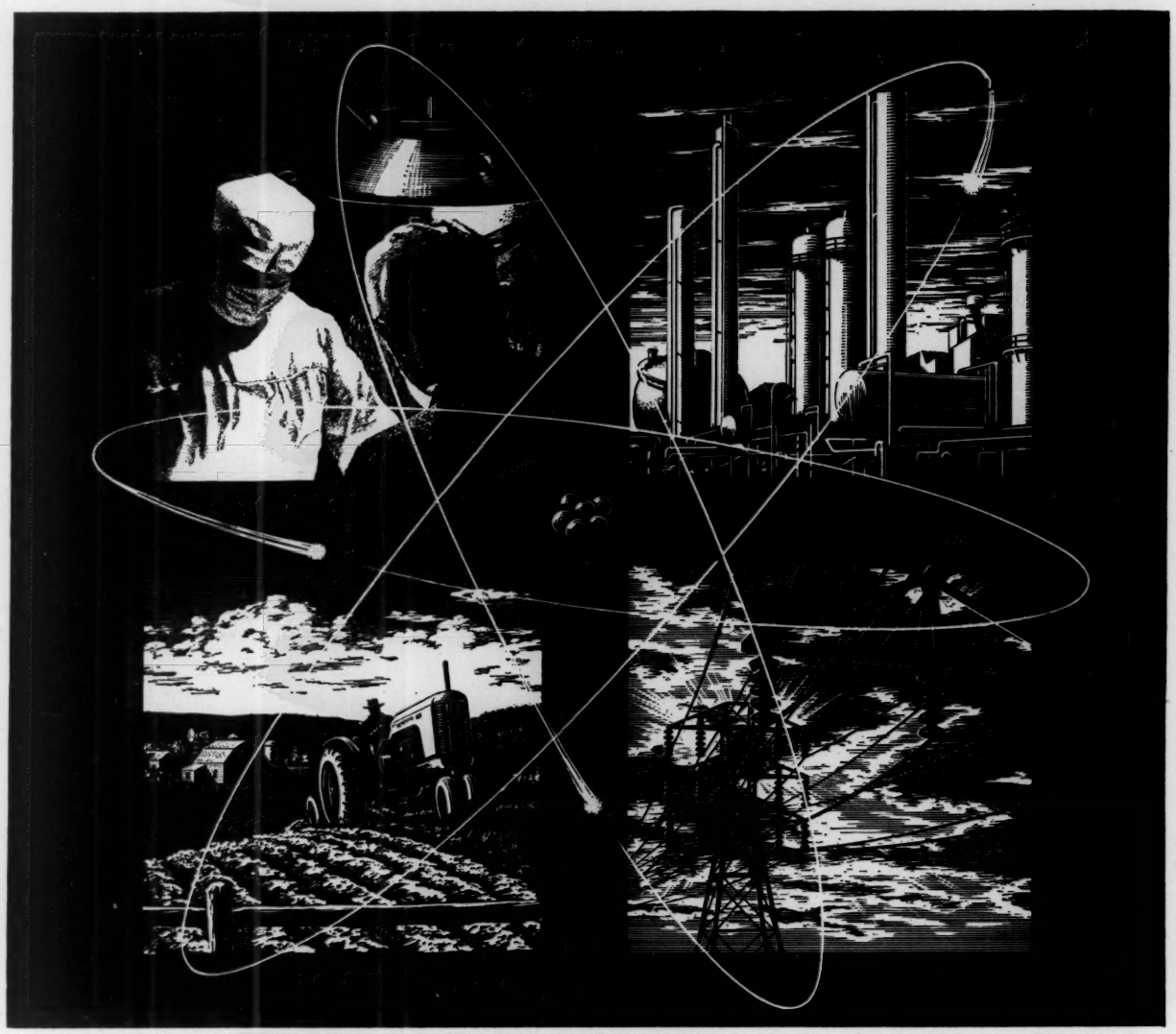
Mail me "Facts for Businessmen," your report of the advantages of Puerto Rico for plant location.

Name_____

Company_____

Product_____

Address_____



Engineers: North American offers unusual opportunities. Write Engineering Personnel Office, Los Angeles or Downey, California; or Columbus, Ohio.

THE PEACEFUL ATOM...IT'S WORKING FOR YOU!

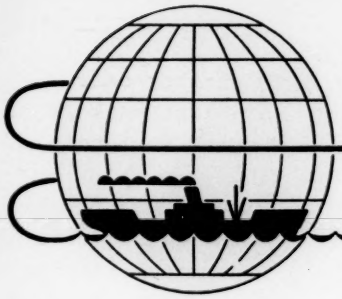
North American Aviation early saw the need for development and application of the atom to peaceful purposes. Using its own funds, the company set up an organization staffed by leading atomic scientists and engineers. This Nuclear Engineering and Manufacturing organization conducts work for the Atomic Energy Commission and has initiated many new developments in nuclear applications.

This continuing effort has produced several types of research reactors. Two important examples of these, produced for the Atomic Energy Commission, are now in operation. One is being used by the company for advanced developmental study of other reactor designs, and general nuclear research is being done with the other. Other North American designed reactors for industrial and medical research will soon be in operation.

Still another example of North American's advance in this field is the "Sodium Reactor Experiment," a new reactor concept in atomic power. This development is being jointly financed by the Atomic Energy Commission and the company. From this will come many answers to the problem of producing economical electricity from the atom.

ENGINEERING AHEAD FOR A BETTER TOMORROW

NORTH AMERICAN AVIATION, INC.



Business Around the World

LONDON • FRANKFURT • ROME

>> Boom psychology in Britain is getting some severe jolts. Underlying difficulties are at last being seen more clearly. Caution is coming back into style.

Sharp increases in interest rates, severe breaks in security markets, return to controls over installment buying, worry over the persistent weakness in the pound sterling--all of these put London in a turmoil last week.

The public's confidence seemed a bit shaken even though, on the surface, British prosperity appeared solid enough. People have lots of money to spend. There are lots of things to buy. But--can it last?

>> How to make British prosperity last and still keep it within bounds is now the foremost worry of the British Chancellor of the Exchequer, R. A. Butler.

Here are just a few of the problems he has to contend with--

Buying spree in Britain is probably the greatest in her history. Massive new housing projects bolster new demand for household appliances, radio and TV sets, automobiles. Buying on easy credit terms has been spreading. Last week controls on time buying were clamped on again by Mr. Butler.

Heavy buying at home sucks goods and materials away from critically important export markets. It also builds up imports.

Upshot: Imports are rising much faster than exports. Trade gap is widening. Import prices are going up faster than export prices.

British industrial capacity is going all out in many lines. Steel and coal are having to be imported from the U.S. to keep up with demand.

Production lines will be further crowded with large-scale orders for capital equipment of auto makers, the railroads, and others.

Labor shortage is getting severe. That means wages are headed up again.

Manufacturing costs are mounting, too. That means higher price tags. Higher prices feed inflation at home and make exports harder to sell.

Mr. Butler now is trying to tighten up on credit. He has a new budget coming up in a month and must decide what to do about taxes. Politicians tell him to cut them since an election isn't too far off. Economists tell him to raise them to lessen inflationary pressures. It's not an easy decision.

>> Mr. Butler also faces a very balky situation on the pound. Weakness in the pound rate reflects those internal difficulties, among other things.

The British pound for 5½ years has been kept within the range $2.82-2.78.

But it's been a struggle for weeks past to keep the going rate above $2.78. The British authorities have had to support "official" sterling to keep it over that floor level. Other kinds of sterling whose rates fluctuate freely sell at discounts. Now Mr. Butler has decided to step in occasionally and buy these

(over)

cheaper kinds of sterling, hoping to narrow the discounts at which they sell.

Sharp increase in the "Bank rate"--from 3.5 to 4.5 per cent--last week is one way of trying to bolster sterling. The Bank rate is the Bank of England's rediscount rate and influences all interest rates in the sterling area.

New rate is the highest in 23 years. It's a very drastic increase. On January 27, Bank rate was raised half of 1 per cent without perceptible effect.

Hope is that the new, higher interest rates in Britain will attract foreign funds and thus relieve the pressure on sterling. Instead, it's possible that foreign investors may be scared off by the British move.

Lifting interest rates also is intended to put the lid on inflation trends.

>> Inflation, pretty well licked in Western Europe in the last year or two, lately has been showing signs of reviving in several countries, besides Britain.

Prices are gradually rising in Germany, France, Sweden, Denmark, Norway, the Netherlands, Austria and Greece, as well as in Britain. There's nothing spectacular about the price rises. They are of the "creeping" sort.

Headlines from two recent issues of a German newspaper spot the trend: "Coal to Cost More"; "Milk Price Climbs"; "Higher Prices in Steel Products"; "Bicycles More Expensive"; "Sheet-Metal Price Rises."

Labor is stirred up by mounting prices to seek higher wages. Swedish unions have just gotten higher pay contracts, Dutch and French workers will get more. Germans are getting restive. And so it goes.

Consumer buying in Western Europe is probably the highest ever. Industrial production is at record levels. Competition to sell goods being poured out in great abundance has been intensifying. American-type merchandising methods--installment sales, supermarkets, self-service, attractive packaging--are being used more and more in Europe.

Both manufacturers and consumers are getting a taste of big things.

A return to inflation and the controls that go with it--this is a chilling thought to most Europeans now basking in the warmth of prosperity.

>> American investors will be taking a new look at opportunities in Italy.

Changes in the Italian law governing foreign investments are being pushed hard. The Italian Cabinet last week approved lifting all limitation on taking profits out of Italy. At present, only 6 per cent of capital investment can be repatriated in any one year. The Italian Parliament has to pass on the new measure and has proved very sticky in the past on this question.

But the new 10-year development plan for Italy, known as the Vanoni Plan, calls for huge investments, much beyond the capacity of the Italians themselves.

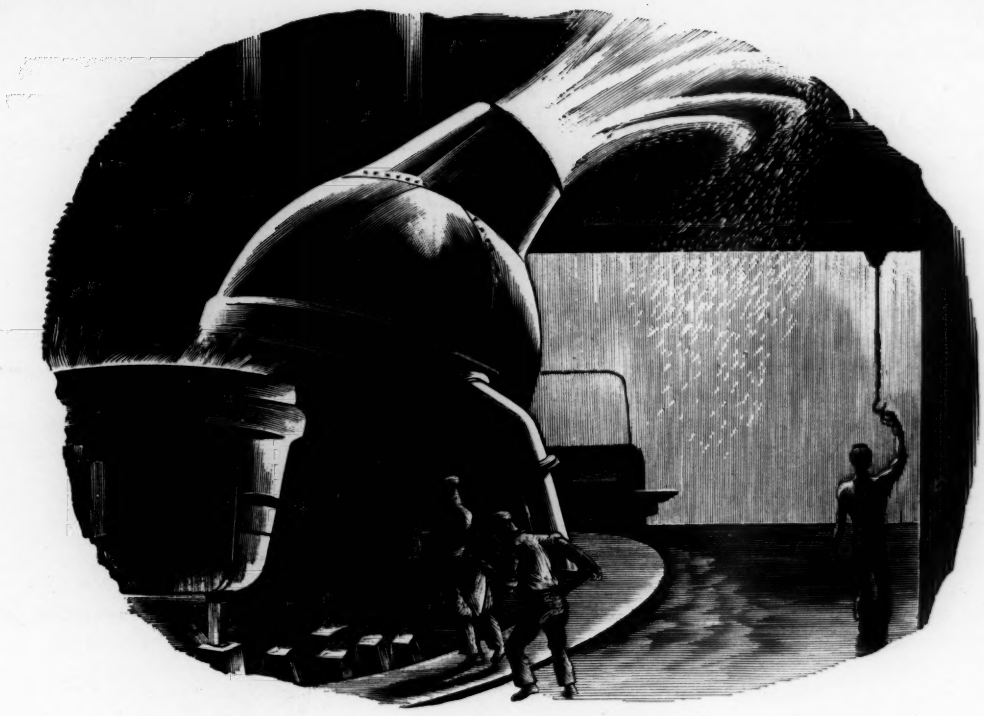
So a better "investment climate" becomes almost a necessity for Italy.

>> The Italian oil situation points up foreign investors' difficulties.

Oil monopoly of the Italian state, known as ENI, pushed through a law prohibiting foreign oil firms from exploiting ENI concessions in the Po Valley. Yet ENI itself produces only a trickle of oil--so badly needed by Italy.

The Sicilian oil law differs from the restrictive mainland law. Gulf Oil has brought in four wells in Sicily. Last year ENI tried unsuccessfully to get the Sicilian law changed to give it dominance in that island also.

Now Gulf has struck oil in Central Italy and will doubtless have more ENI trouble. Problems like this give foreign investors pause.

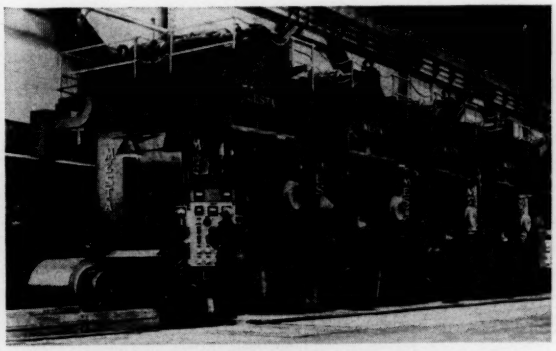


Another shot heard round the world!

Just one hundred years ago, while experimenting on stronger cannon for Napoleon III, Henry Bessemer blew compressed air through molten iron. The result was the Bessemer process—and a revolution in steel production.

This revolution is still going on... spreading constantly throughout *all* industry. Improved steelmaking processes and equipment, aided by the continued development of new and improved Vancoram ferro alloys, are producing better alloy and stainless steels. These products, in turn, are helping to raise the performance and efficiency of industrial, agricultural and mining machinery, locomotives, power shovels, turbines and other progress builders.

Working with America's steelmakers to deliver ever finer, ever more versatile steels, Vanadium Corporation produces ferro alloys of chromium, vanadium, manganese, silicon, titanium and boron. VCA's Research Center at Cambridge, Ohio, is constantly seeking new materials and processes to help the steel industry reach goals undreamed of by Bessemer.



To avoid costly shutdowns in steel and nonferrous rolling mill equipment, vanadium cast steel is used in countless applications where terrific shock and high loads are encountered.

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VANCORAM

Producers of alloys, metals and chemicals

(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.

JOB CREATION OR JOB DESTRUCTION?

BY DAVID LAWRENCE

WHEN A POLITICAL PARTY proclaims a program of taxation based upon vote-catching, rather than sound economic principles, a serious question is raised as to its capacity to govern the nation in a responsible manner if entrusted with power.

The Democratic Party in Congress came forth last week with a proposal to give every taxpayer a $20 cut in taxes. This would cost the U. S. Treasury more than $2,000,000,000 annually in tax receipts, but it could do far more damage eventually—it could start a cycle of inflation, and, as prices skyrocketed, a breakdown of confidence in the value of the dollar would ensue.

If this is a sample of what the Democratic Party has in mind in the event of victory at the polls in 1956, there will arise at once a widespread fear for the future solvency of the American Government.

It was Thomas Jefferson, founder of the Democratic Party, who enunciated the principle: "Equal rights for all, special privileges for none." The plan to give a $20 tax cut is really a proposal to grant to certain income classes a higher percentage of tax reduction than to other groups. It is a special privilege to be bestowed upon a particular group, irrespective of the economic consequences to the nation as a whole.

The argument made by proponents of the measure is that prosperity can best be stimulated by furnishing money subsidies to certain consumers.

This was also the philosophy behind the Work Projects Administration during the depression days of the 1930's. But that policy was a failure. Unemployment remained at an unprecedented height for peacetime, and war alone came to the rescue of the national economy. It was not until 1940, when heavy-goods industries were finally given the opportunity to expand, that the unemployment figure began to drop perceptibly.

It is contended, of course, that the money saved by tax cuts will add to purchasing power. The resultant deficit in the budget, however, would have to be met by higher taxes on other income groups or by raising business taxes which are already too high.

To increase the quantity of purchasing power is futile if prices are forced upward due to lack of confidence in the purchasing power of the dollar itself. An inequitable tax scheme means a commitment to a prolonged unbalance of the whole national economy. This can only bring inflation, with its devastating effect on persons who live on pensions and fixed incomes.

What really makes America tick is a balanced economy. This means that funds must be made constantly available for investment in the expansion of business and in the replacement of worn-out equipment. Today's climate for investment, brought about by the Eisenhower Administration, is the healthiest in 30 years.

Unless saving by the individual is encouraged and the fruit of his labors invested as seed money in business, there is no chance for a system of risk capital to survive. Only the government could then provide the necessary capital. And that's the beginning of the end of individual freedom. For little by little, as State Capitalism takes hold and more and more people find themselves on the government payroll, the incentive for management to create new enterprises vanishes. Governmental restrictions on human liberty then become necessary to maintain discipline.

Why do the patriotic leaders of a great American party permit themselves to become victims of the socialistic doctrine of job destruction?

For when taxation is inequitable and men of thrift and talent are discouraged because they are taxed virtually to the point of confiscation, business enterprise falters and unemployment is the inevitable result.

Certainly, to impose taxes only on a basis of subsidy to the maximum number—without regard for the eventual good of all—is one way to liquidate the managerial class in America and to bring economic chaos, as has been the case in Russia.

Tax rates should never be determined on the basis of money grants direct to the largest number of voters. Taxes should be imposed on the basis of incentive—by means of rates that will indirectly exert the maximum influence toward job creation. That's sound economics—it's the way to deserve the vote of all groups.

The Democratic Party of today is torn between the true Democrats who wish to conserve the American economic system, and the radicals who will, if allowed to become the majority, destroy the system which has given us the strongest industrial power and the highest standard of living any country has ever known.

Will the Democratic Party return to the dynamic conservatism of Woodrow Wilson, who in the fiscal policies of his Administration maintained the principles of Thomas Jefferson? Or will the Democratic Party surrender to the insidious forces of State Capitalism which seek to break down our whole economic system?

What kind of a Democratic Party are the American people to be asked to vote for in 1956?

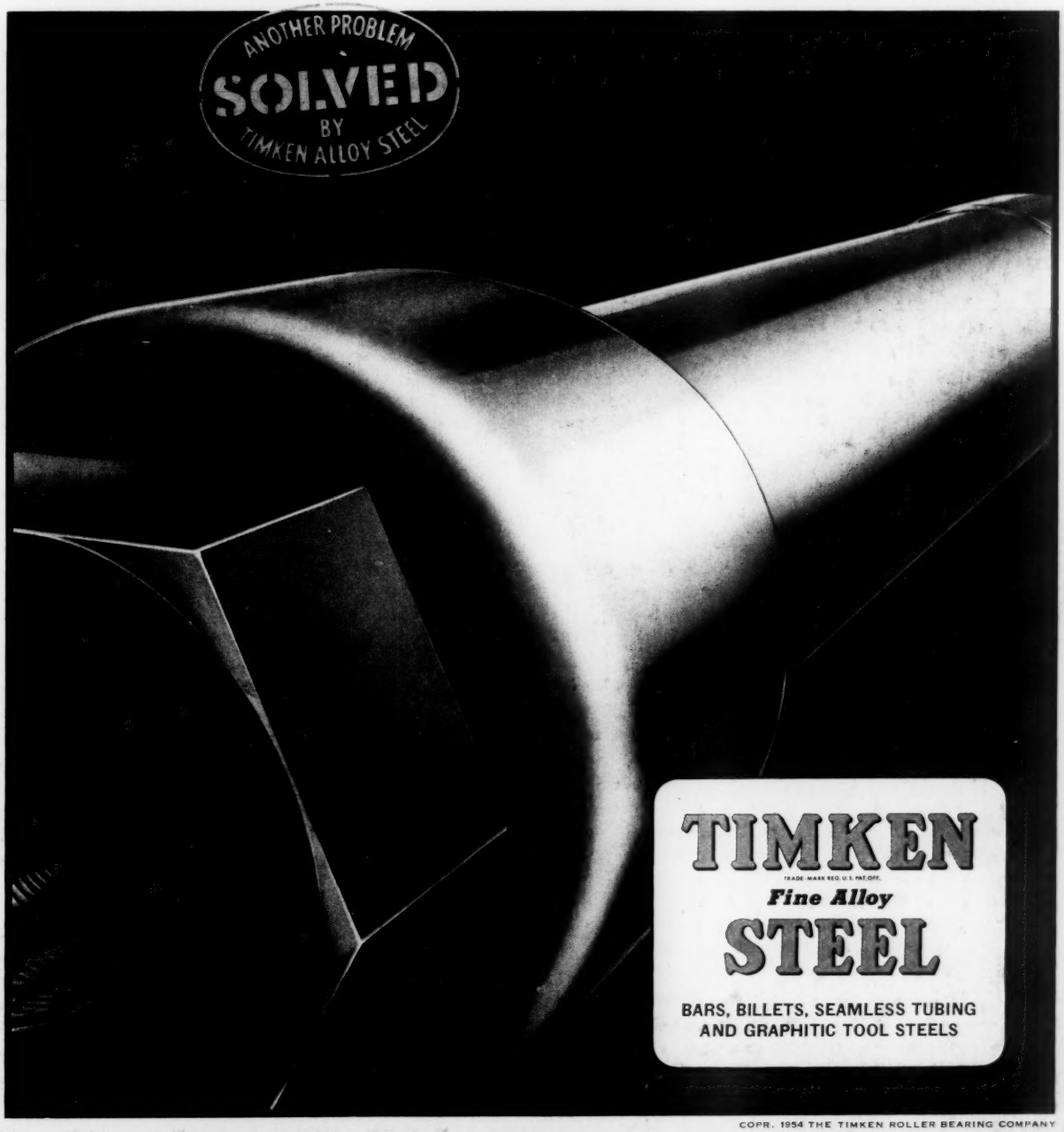
Power companies can relax because this steel won't

IT takes seven tons of bolts like this one to hold a modern steam turbine together—against the pressure of roaring steam at 1250 pounds per square inch. These bolts work continuously in temperatures up to 1000°F. With such terrific temperatures and stresses, ordinary steels would "relax" or stretch, causing steam leaks between casings.

One turbine builder presented this problem to the Timken Company—the storehouse of experience on fine alloy steels. Our metallurgists recommended "17-22-A" (S), a special Timken steel which *does not* relax under temperatures and stresses which make ordinary steels gradually stretch out of shape. By fabricating the bolts from "17-22-A" (S) the turbine builder licked his problem. The bolts are now in their fourth year of service. No harmful stretch, no steam leaks.

The turbine people got the answer to their problem without paying for a costly high-alloy steel; "17-22-A" (S) contains less than 3% alloys. Moreover it is easy to machine—threads were cut crisply and cleanly.

This is one of hundreds of problems "Solved by Timken Alloy Steel". Can our metallurgists solve a special steel problem for you? Write: The Timken Roller Bearing Company, Steel and Tube Division, Canton 6, Ohio. Cable address: "Timrosco". Tapered Roller Bearings, Alloy Steels and Seamless Tubing, Removable Rock Bits.



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